

# FRANKLIN TEMPLETON INVESTMENT FUNDS

PROSPECTUS

SOCIÉTÉ D'INVESTISSEMENT

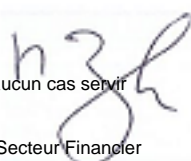
À CAPITAL VARIABLE

INCORPORATED IN LUXEMBOURG

DATED SEPTEMBER 2021

VISA 2021/165897-866-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2021-09-03  
Commission de Surveillance du Secteur Financier



**FRANKLIN TEMPLETON INVESTMENT FUNDS**  
Société d'investissement à capital variable  
Registered office: 8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S. Luxembourg B 35 177

**OFFER**

of separate classes of shares of no par value of Franklin Templeton Investment Funds (the "Company"), each linked to one of the following sub-funds (the "Funds") of the Company, at the published offer price for the Shares of the relevant Fund:

1. Franklin Biotechnology Discovery Fund
2. Franklin China Multi-Asset Income Fund
3. Franklin Disruptive Commerce Fund
4. Franklin Diversified Balanced Fund
5. Franklin Diversified Conservative Fund
6. Franklin Diversified Dynamic Fund
7. Franklin Emerging Market Corporate Debt Fund
8. Franklin Emerging Market Sovereign Debt Hard Currency Fund
9. Franklin Emerging Markets Debt Opportunities Hard Currency Fund
10. Franklin Euro Government Bond Fund
11. Franklin Euro High Yield Fund
12. Franklin Euro Short Duration Bond Fund
13. Franklin European Corporate Bond Fund
14. Franklin European Total Return Fund
15. Franklin Flexible Alpha Bond Fund
16. Franklin Flexible Conservative Fund
17. Franklin Flexible Growth Fund
18. Franklin Gulf Wealth Bond Fund (previously named Franklin GCC Bond Fund)
19. Franklin Genomic Advancements Fund
20. Franklin Global Aggregate Bond Fund
21. Franklin Global Convertible Securities Fund
22. Franklin Global Corporate Investment Grade Bond Fund
23. Franklin Global Fundamental Strategies Fund
24. Franklin Global Income Fund
25. Franklin Global Managed Income Fund
26. Franklin Global Multi-Asset Income Fund
27. Franklin Global Real Estate Fund
28. Franklin Gold and Precious Metals Fund
29. Franklin High Yield Fund
30. Franklin Income Fund
31. Franklin India Fund
32. Franklin Inflation Protected Fund
33. Franklin Innovation Fund
34. Franklin Intelligent Machines Fund
35. Franklin Japan Fund
36. Franklin K2 Alternative Strategies Fund
37. Franklin MENA Fund
38. Franklin Mutual European Fund
39. Franklin Mutual Global Discovery Fund
40. Franklin Mutual U.S. Value Fund (previously named Franklin Mutual Beacon Fund)
41. Franklin Natural Resources Fund
42. Franklin NextStep Balanced Growth Fund
43. Franklin NextStep Conservative Fund
44. Franklin NextStep Dynamic Growth Fund
45. Franklin NextStep Growth Fund
46. Franklin NextStep Moderate Fund
47. Franklin NextStep Stable Growth Fund
48. Franklin Strategic Income Fund
49. Franklin Systematic Style Premia Fund
50. Franklin Technology Fund
51. Franklin UK Equity Income Fund
52. Franklin U.S. Dollar Short-Term Money Market Fund
53. Franklin U.S. Government Fund
54. Franklin U.S. Low Duration Fund
55. Franklin U.S. Opportunities Fund
56. Franklin World Perspectives Fund (to be renamed Franklin Global Growth Fund effective as from September 13, 2021)
57. Templeton All China Equity Fund
58. Templeton Asia Equity Total Return Fund
59. Templeton Asian Bond Fund
60. Templeton Asian Growth Fund
61. Templeton Asian Smaller Companies Fund
62. Templeton BRIC Fund
63. Templeton China A-Shares Fund
64. Templeton China Fund
65. Templeton Eastern Europe Fund
66. Templeton Emerging Markets Bond Fund
67. Templeton Emerging Markets Dynamic Income Fund (previously named Templeton Emerging Markets Balanced Fund)
68. Templeton Emerging Markets Fund
69. Templeton Emerging Markets Local Currency Bond Fund
70. Templeton Emerging Markets Smaller Companies Fund
71. Templeton Emerging Markets Sustainability Fund
72. Templeton Euroland Fund
73. Templeton European Dividend Fund (previously named Franklin European Dividend Fund)
74. Templeton European Opportunities Fund (previously named Franklin European Growth Fund)
75. Templeton European Small-Mid Cap Fund (previously named Franklin European Small-Mid Cap Fund)
76. Templeton Frontier Markets Fund
77. Templeton Global Balanced Fund
78. Templeton Global Bond (Euro) Fund
79. Templeton Global Bond Fund
80. Templeton Global Climate Change Fund (previously named Templeton Global (Euro) Fund)
81. Templeton Global Equity Income Fund
82. Templeton Global Fund
83. Templeton Global High Yield Fund
84. Templeton Global Income Fund
85. Templeton Global Smaller Companies Fund
86. Templeton Global Total Return Fund
87. Templeton Global Total Return II Fund
88. Templeton Growth (Euro) Fund
89. Templeton Latin America Fund

## **FRANKLIN TEMPLETON INVESTMENT FUNDS – IMPORTANT INFORMATION**

If you are in any doubt about the contents of this prospectus (the "**Prospectus**"), you should consult your bank, stockbroker, solicitor, accountant or other financial advisor. No one is authorised to give any information other than that contained in this Prospectus or in any of the documents referred to herein.

### **The Company**

The Company is incorporated in Luxembourg under the laws of the Grand Duchy of Luxembourg as a *société anonyme* and qualifies as a *société d'investissement à capital variable* ("SICAV").

The Company is registered on the official list of undertakings for collective investment in transferable securities pursuant to Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time (the "Law of 17 December 2010"). The Company qualifies as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended.

The Company has appointed Franklin Templeton International Services S.à r.l., société à responsabilité limitée with its registered office at 8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg as Management Company to provide investment management, administration and marketing services to the Company with the possibility to delegate part or all of such services to third-parties.

The Company has obtained recognition for marketing its Shares in various European countries (in addition to the Grand Duchy of Luxembourg): Austria, Belgium, the Republic of Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom. The registration of the Shares of the Company in these jurisdictions does not require any authority to approve or disapprove the adequacy or accuracy of this Prospectus or the securities portfolios held by the Company. Any statement to the contrary is unauthorised and unlawful.

The distribution of this Prospectus and the offering of the Shares may be restricted in certain other jurisdictions. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Attention of Investors is also drawn to the fixed amount which may be levied on transactions by Distributors, local paying agents and Correspondent Banks established in certain jurisdictions such as Italy. Prospective subscribers for Shares should make themselves aware of the legal requirements with respect to such application and of any applicable taxes in the countries of their respective citizenship, residence or domicile.

The Company is a recognised collective investment scheme under section 264 of the Financial Services Markets Act 2000 of the United Kingdom.

This Prospectus relates to Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA") and is not directed to "retail clients" as defined by the DFSA (except for public distribution of funds through intermediaries in accordance with applicable laws). The DFSA has no responsibility for reviewing or verifying this Prospectus or other documents in connection with the Funds. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it. The offering of the Shares may be subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Shares and should consult an authorised financial advisers if they do not understand the contents of this Prospectus.

The Company may apply for registration of the Shares in various other legal jurisdictions worldwide.

The Company does not have any debentures, loans, borrowings or indebtedness in the nature of liabilities under acceptances or acceptance credits, mortgage hire purchase commitments, guarantees or other material contingent liabilities.

The Company is not registered in the United States of America under the Investment Company Act of 1940. The Shares of the Company have not been registered in the United States of America under the Securities Act of 1933. The Shares made available under this offer may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of residents thereof, unless pursuant to an exemption from registration requirements available under US law, any applicable statute, rule or interpretation. US Persons are not eligible to invest in the Company. Prospective Investors shall be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person. In the absence of written notice to the Company to the contrary, if a prospective investor provides a non-US address on the application form for investment in the Company, this will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until the Company is otherwise notified of a change in the investor's US Person status.

The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.

The Company is not registered in any provincial or territorial jurisdiction in Canada and Shares of the Company have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. The Shares made available under this offer may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof, unless such Canadian resident is, and will remain at all times during their investment, a "permitted client" as that term is defined in Canadian securities legislation. Prospective Investors may be required to declare that they are not a Canadian resident and are not applying for Shares on behalf of any Canadian residents. If an Investor becomes a Canadian resident after purchasing Shares of the Company, the Investor will not be able to purchase any additional Shares of the Company.

Statements made in this Prospectus are based on the laws and practice currently in force in the Grand Duchy of Luxembourg, and are subject to changes in those laws and practice.

This Prospectus does not constitute an offer to anyone or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so.

The price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested. Attention of Investors is more specifically drawn to the fact that investment by the Company, as defined hereafter, may trigger specific risks, as more fully described under section "Risk Considerations".

The most recent audited annual and unaudited semi-annual reports of the Company, which are available free of charge and upon request at the registered office of the Company and the Management Company, form an integral part of this Prospectus.

Investors desiring to receive further information regarding the Company (including the procedures relating to complaints handling, the strategy followed for the exercise of the voting rights of the Company, the policy for placing orders to deal on behalf of the Company with other entities, the best execution policy as well as the arrangements relating to the fee, commission or non-monetary benefit in relation with the investment management and administration of the Company) or wishing to make a complaint about the operation of the Company should contact the Management Company client service department, 8A, rue Albert Borschette, L-1246 Luxembourg or their local servicing office.

The Company and the Management Company draw the Investors' attention to the fact that any Investor will only be able to fully exercise her/his Investor's rights directly against the Company, notably the right to participate in general meetings of the Shareholders, if the Investor is registered himself and in his own name in the register of Shareholders of the Company.

If an Investor invests in the Company through an intermediary investing in the Company in his own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investors are advised to take advice on their rights. The Management Company, acting as principal distributor of the Company (the "Principal Distributor"), will also organise and oversee the marketing and distribution of the Shares. The Principal Distributor may engage sub-distributors, intermediaries, brokers and/or professional investors (who may be affiliates of Franklin Templeton and who may receive part of the annual management charges, servicing charges or other similar fees).

Moreover, the Management Company decided that, when required by the relevant legal, regulatory and/or tax environment applicable to some particular countries where the Shares of the Company are or will be offered, the duties of organising and overseeing the marketing and distribution of Shares, or the distribution of Shares itself, currently dedicated on a worldwide basis to the Principal Distributor, may be allocated to such other entities (who may be affiliates of Franklin Templeton) directly appointed by the Management Company from time to time.

Subject to the provisions of the agreements in place with the Management Company, such other parties may in turn engage sub-distributors, intermediaries, brokers and/or professional investors (who may be affiliates of Franklin Templeton). Notwithstanding the foregoing, the Management Company will also monitor the appointment and activities of the sub-distributors, intermediaries, brokers and/or professional investors as part of its activity as Principal Distributor.

Distributors, sub-distributors, intermediaries and Brokers/Dealers engaged in the activity of marketing and distributing the Shares shall abide by and enforce all the terms of this Prospectus including, where applicable, the terms of any mandatory provisions of Luxembourg laws and regulations relating to the distribution of the Shares. They shall also abide by the terms of any laws and regulations applicable to them in the country where their activity takes place, including, in particular, any relevant requirements to identify and know their clients. They must not act in any way that would be damaging or onerous on the Company and/or the Management Company in particular by submitting the Company and/or the Management Company to regulatory, fiscal or reporting information it would otherwise not have been subject to. They must not hold themselves out as representing the Company.

For the avoidance of doubt, Investors buying Shares or investing through such other parties (or through sub-distributors, intermediaries, brokers/dealers and/or professional investors appointed by such other parties) will not be charged additional fees and expenses by the Company or the Management Company.

Whenever applicable, all references in this Prospectus relating to the Principal Distributor should therefore also read as references to such other parties appointed by the Management Company.

The Directors of the Company, whose names appear in section "Administrative Information", are responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Board of Directors accepts responsibility accordingly.

#### **Board of Directors' Powers**

The Board of Directors is responsible for the Company's management and administration and has delegated its day-to-day management and administration to the Management Company in accordance with the Articles and the Management Company services agreement.

The Board of Directors is responsible for the overall investment policy, objectives and management of the Company and its Funds. The Board of Directors may authorise the creation of additional Funds in the future with different investment objectives, subject to the amendment of this Prospectus.

The Board of Directors may decide to offer or issue in any Fund any of the existing Share Classes, which terms and conditions are more fully described in the section "Share Classes" and "Investment Management Fees", including Alternative Currency Classes, Hedged Share Classes as well as Share Classes with different dividend policies. Investors will be informed of the issue of such Shares upon publication of the Net Asset Value per Share of such Share Class as described in the section "Publication of Share Prices".

If the total value of the Shares of any Fund is at any time below USD 50 million, or the equivalent thereof in the currency of the relevant Fund, or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned, the Board of Directors may decide to redeem all the Shares outstanding of such Fund. Notice of such redemption will be sent to the registered Investors by mail. The price at which Shares will be redeemed will be based on the Net Asset Value per Share of such Fund determined upon realisation of all assets attributable to such Fund. Further details are provided in Appendix D.

The Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Prospectus.

Shares offered or in issue in the various Funds, Classes and currencies are more fully described in the section "Share Classes".

The assets of each Fund are exclusively available to satisfy the rights of Shareholders and of creditors, which have arisen in connection with the creation, operation or liquidation of that Fund. For the purpose of the relations as between Shareholders, each Fund will be deemed to be a separate entity.

The determination of the prices of Shares of each Fund may be suspended during a period when trading on a relevant stock exchange is substantially restricted or when other specified circumstances exist which make it impracticable to dispose of or value any of the Company's investments (see Appendix D). No Share may be issued, redeemed or switched during a period of suspension. A notice of any suspension shall be published, if appropriate, in such newspapers as the Board of Directors and/or the Management Company may from time to time determine.

The distribution of this Prospectus in some jurisdictions may require the translation of this Prospectus into the languages specified by the regulatory authorities of those jurisdictions. In case of inconsistency between the translated and the English version of this Prospectus, the English version shall prevail.

The Prospectus shall be kept up-to-date and shall be made available on the Internet site: [www.franklintempleton.lu](http://www.franklintempleton.lu) and may be found on the Internet site of Franklin Templeton' Distributors and can be obtained free of charge and upon request at the registered office of the Company and the Management Company.

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## **DEFINITIONS**

<b>"ABCP(s)"</b>	Asset backed commercial paper(s)
<b>"Accumulation Share"</b>	a Share which accumulates the income attributable to a Share so that it is reflected in the increased value of that Share
<b>"Administrative Agent"</b>	J.P. Morgan Bank Luxembourg S.A., to whom the Management Company has delegated some of the administrative agency services in relation to the Company
<b>"Alternative Currency Class"</b>	a Share Class in an alternative currency to the base currency of the Fund
<b>"Alternative Fund"</b>	an Alternative Fund's assets are allocated across alternative strategies which generally relate to investments in non-traditional asset classes or non-traditional investment strategies, including long short equity, event driven, relative value, and global macro
<b>"Annual General Meeting"</b>	the annual general meeting of the Shareholders of the Company
<b>"Articles"</b>	the articles of incorporation of the Company as amended from time to time
<b>"Balanced Fund"</b>	a Balanced Fund (also known as mixed fund) typically invests in more than one type of asset, such as equities or debt securities (including, but not limited to, bonds). The proportion of a Balanced Fund invested in each type of asset (the asset allocation) may be fixed for some Funds and flexible for others. Where the asset allocation is flexible, the Investment Manager will make adjustments to the amount invested in each type of asset depending on its view of their future prospects. If permitted by its investment policy, a Balanced Fund may from time to time take exposure to only one type of assets depending on market opportunities
<b>"Bond Connect"</b>	is a mutual market access scheme allowing overseas investors to trade in bonds circulated on the China Interbank Bond Market (CIBM)
<b>"Board of Directors"</b>	the board of directors of the Company
<b>"Broker/Dealer"</b>	financial intermediary or advisor
<b>"Business Day"</b>	a day on which the banks in the relevant jurisdiction(s) are normally open for business
<b>"Code on Unit Trust and Mutual Funds"</b>	a code for authorisation and maintenance filings of domestic and foreign funds in Hong Kong
<b>"Commitment Approach"</b>	an approach for measuring risk or "Global Exposure" that factors in the market risk of the investments held in a UCITS sub-fund, including risk associated with any financial derivatives instruments held by converting the financial derivatives into equivalent positions in the underlying assets of those derivatives (sometimes referred to as "notional exposure"), after netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions. Global Exposure using the Commitment Approach is expressed as an absolute percentage of total net assets. Under Luxembourg Law, Global Exposure related solely to financial derivatives may not exceed 100% of total net assets, and Global Exposure overall (including market risk associated with the sub-funds' underlying investments, which by definition make up 100% of total net assets) may not exceed 200% of total net assets (excluding the 10% that a UCITS may borrow on a temporary basis for short-term liquidity)
<b>"Company"</b>	Franklin Templeton Investment Funds
<b>"Contingent Deferred Sales Charge" or "CDSC"</b>	a fee imposed when shares are sold, typically during the first few years of ownership
<b>"Contract Note"</b>	see sub-section "Contract Note" under section Investor General Information

<b>"Correspondent Bank"</b>	a bank that, in its own country, handles the business on behalf of a bank located in another country
<b>"Covered Bonds"</b>	Covered bonds are debt obligations issued by credit institutions and secured by a ring-fenced pool of assets (the "cover pool" or "cover assets") which bondholders have direct recourse to as preferred creditors. Bondholders remain at the same time entitled to a claim against the issuing entity or an affiliated entity of the issuer as ordinary creditors for any residual amounts not fully settled with the liquidation of the cover assets, giving them effectively a double claim or "dual recourse"
<b>"CPF"</b>	Central Provident Fund
<b>"CPF Board"</b>	Central Provident Fund Board, a statutory body incorporated in Singapore and constituted under the Central Provident Fund Act
<b>"CPF Investor"</b>	a purchaser of Shares in the Company using his CPF savings, subject to such terms and conditions set out in the Singapore prospectus and terms and conditions as may be imposed by the CPF Board from time to time
<b>"CSSF"</b>	Commission de Surveillance du Secteur Financier – The regulatory and supervisory authority of the Company in Luxembourg
<b>"Data Protection Officer"</b>	a person appointed by the Management Company as a data protection officer in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC
<b>"Dealing Cut-Off Time"</b>	the time prior to which a transaction instruction must be received in order for the transaction to be processed at the current day's NAV as further described in Appendix A of this Prospectus
<b>"Dealing Day"</b>	any Valuation Day which is also a Business Day. Dealing Day restrictions in any jurisdiction may be obtained upon request
<b>"Depository"</b>	J.P. Morgan Bank Luxembourg S.A., a Luxembourg-based bank, has been appointed by the Company as the Company's depository bank
<b>"Directors"</b>	the members of the Board of Directors
<b>"Distributor"</b>	an entity or person duly appointed by the Management Company, acting as Principal Distributor, to distribute or arrange for the distribution of Shares
<b>"Distribution Share"</b>	a Share which normally distributes its net investment income, unless otherwise stated in the relevant Fund policy
<b>"Eligible State"</b>	includes any member state of the EU, any member of the OECD, and any other state which the Board of Directors deems appropriate
<b>"Equity Fund"</b>	an Equity Fund's assets are mainly or solely invested in or exposed to equity securities issued by companies, which are listed and traded on stock exchanges (equities). Equity Funds can either invest globally (global equity Funds) or be concentrated on specific countries (country-specific Funds), geographic regions (regional Funds) or sectors (sector-specific Funds)
<b>"ESTR"</b>	Euro Short-Term Rate
<b>"ETF"</b>	Exchange Traded Fund
<b>"EU"</b>	European Union
<b>"Expected Level of Leverage"</b>	Funds which measure Global Exposure using a Value-at-Risk (VaR) approach disclose their Expected Level of Leverage. The Expected Level of Leverage is not a regulatory limit and should be used for indicative purposes only. The level of leverage in the Fund may be higher or lower than this expected level at any time as long as the Fund remains



in line with its risk profile and complies with its relative VaR limit. The annual report will provide the actual level of leverage over the past period and additional explanations on this figure. The leverage is a measure of the aggregate derivative usage and therefore does not take into account other physical assets directly held in the portfolio of the relevant Funds. The Expected Level of Leverage is measured as the Sum of Notionals (see definition for Sum of Notionals)

<b>"FATCA"</b>	Foreign Account Tax Compliance Act
<b>"FCM"</b>	Futures Commission Merchant, an individual or organization which does both of the following: 1) solicits or accepts offers to buy or sell futures contracts, options on futures, off exchange foreign exchange contracts or swaps and 2) accepts money or other assets from customers to support such orders
<b>"FFI"</b>	a Foreign Financial Institution as defined in FATCA
<b>"Fixed Income Fund"</b>	a Fixed Income Fund's assets are mainly or solely invested in or exposed to debt securities (including, but not limited to, bonds) which pay a fixed or variable rate of interest and which may be issued by companies, national or local governments and/or international organisations which are supported by several governments (such as the World Bank). Fixed Income Funds may invest globally or focus on a geographic region or country and may invest in bonds issued by different types of issuer or focus on just one (such as governments)
<b>"Franklin Templeton"</b>	FRI and its subsidiaries and affiliates worldwide
<b>"FRI"</b>	Franklin Resources Inc., One Franklin Parkway, San Mateo, California, a holding company for various subsidiaries that, together, are referred to as Franklin Templeton
<b>"Fund"</b>	a distinct pool of assets and liabilities within the Company, distinguished mainly by its specific investment policy and objective as created from time to time
<b>"Global Exposure"</b>	refers to a measure of the risk exposure for a UCITS sub-fund that factors in the market risk exposure of underlying investments, as well as the incremental market risk exposure and implied leverage associated with financial derivative instruments if and where held in the portfolio. Under Luxembourg regulation, UCITS are required to measure such risk exposure using either a "Commitment Approach" or a "Value-at-Risk (VaR) Approach" – see separate definitions for these terms
<b>"Holding"</b>	Shares held in a single Share Class within the Investor Portfolio
<b>"Institutional Investor"</b>	as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority within the meaning of article 174 of the Law of 17 December 2010. Please refer to "Share Classes" section for the list of qualifying Institutional Investors
<b>"Intergovernmental Panel on Climate Change"</b>	the United Nations body created to provide regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options
<b>"Investment Fund(s) "</b>	a UCITS or other UCI in which the Funds may invest, as determined in the investment restrictions described in Appendix B
<b>"Investment Managers"</b>	the companies appointed by the Management Company and which provides day-to-day management in respect of the investment and re-investment of the assets of the Funds. Where the Management Company does not delegate its investment management functions for one or more Funds, as reflected in the "Fund Information, Objectives And Investment Policies" section of the relevant Fund(s), references to the Investment Manager shall be construed as references to the Management Company (notably in relation to the fees to be levied by the Management Company for the performance of the investment management functions for the relevant Fund(s))
<b>"Investor"</b>	a purchaser of Shares in the Company either directly or through a Nominee structure

<b>"Investor Portfolio" or sometimes referred to as "Portfolio"</b>	a portfolio of Holdings in the name of the registered Investor(s)
<b>"Investor Portfolio Number"</b>	personal number attributed to an Investor Portfolio upon acceptance of an application
<b>"Interest Rate Differential" or "IRC"</b>	refers to the difference in interest rates between two similar interest-bearing currencies
<b>"ISIN Code"</b>	International Securities Identification Number that uniquely identifies a Fund / Share Class
<b>"KIID"</b>	a Key Investor Information Document within the meaning of article 159 of the Law of 17 December 2010
<b>"Law of 17 December 2010"</b>	Luxembourg Law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time
<b>"Mainly"</b>	please refer to the "primarily" definition below
<b>"Management Company"</b>	Franklin Templeton International Services S.à r.l. or, where relevant, the members of the Management Company's board of managers
<b>"Mark-to-Market"</b>	the valuation of positions at readily available closing prices that are sourced independently, including exchange prices, screen price, or quotes from several independent reputable brokers
<b>"Mark-to-Model"</b>	any valuation which is benchmarked, extrapolated or otherwise calculated from one or more market inputs
<b>"Money Market Fund Regulation" or "MMFR"</b>	Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, as it may be amended or supplemented from time to time
<b>"Money Market Fund"</b>	any Fund qualifying as money market fund under the Money Market Fund Regulation
<b>"Money Market Instruments"</b>	instruments as defined in Article 2(1) of the UCITS Directive and as referred to in Article 3 of Commission Directive 2007/16/EC
<b>"Multi-Asset Fund"</b>	a Multi-Asset Fund typically invests in multiple types of assets, including but not limited to equities, debt securities, cash, real estate, commodities, etc. The proportion of a Multi-Asset Fund invested in each type of asset (the asset allocation) may be fixed for some Funds and flexible for others. Where the asset allocation is flexible, the Investment Manager will make adjustments to the amount invested in each type of asset depending on its view of their future prospects
<b>"Net Asset Value per Share" or "NAV"</b>	the value per Share of any Class of Share determined in accordance with the relevant provisions described under the heading "Determination of Net Asset Value of Shares" or, if applicable, under the sub-section "Specific provisions relating to the calculation of the Net Asset Value per Share of Funds qualifying as Money Market Funds", as set out in Appendix D
<b>"Nominee"</b>	an institution which purchases and holds Shares in its own name and on behalf of an Investor
<b>"OECD"</b>	Organisation for Economic Cooperation and Development
<b>"Omnibus"</b>	an institution which holds assets within a Portfolio or holding for a number of underlying Investors
<b>"Paris Climate Agreement"</b>	landmark environmental accord that was adopted by nearly every nation in 2015 to address climate change and its negative impacts. The deal aims to substantially reduce global greenhouse gas emissions in an effort to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, while pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels

<b>"Physical Bearer Shares"</b>	Shares which historically were issued in non-registered form by the Company. Title to such Shares is given to the holder of the physical bearer Share certificate. The Company no longer issues Shares in physical bearer form
<b>"Primarily", "principally" or "mainly"</b>	when a Fund investment policy states that investments will be made "primarily", "principally" or "mainly" in a particular type of security or in a particular country, region or industry, it generally means that at least two-thirds of this Fund's net assets (without taking into account ancillary liquid assets) shall be invested into such security, country, region or industry
<b>"Principal Distributor"</b>	the Management Company acting as principal distributor of the Company
<b>"Purchase"</b>	when the Prospectus states "purchase" or "how to purchase shares", it generally refers to a subscription of Shares
<b>"QFII"</b>	Qualified Foreign Institutional Investor portfolio authorised by the China Securities Regulatory Commission of Mainland China to invest in the securities market of Mainland China
<b>"Regulated Market"</b>	a market within the meaning of point 21) of Article 4 of the Directive 2014/65/EC of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments or another regulated market, which operates regularly and is recognised and open to the public in an Eligible State
<b>"Residual Maturity"</b>	the length of time remaining (in days) until the legal maturity of as security or asset
<b>"RMB"</b>	the official currency of Mainland China – to be read as a reference to onshore Renminbi (CNY) and/or offshore Renminbi (CNH) as the context requires
<b>"Sale" or "to sell"</b>	when the prospectus states « a sale » of shares or « how to sell shares », it generally refers to a redemption of Shares
<b>"SARON"</b>	Swiss Average Rate Overnight
<b>"SFDR"</b>	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
<b>"SICAV"</b>	<i>Société d'Investissement à Capital Variable</i>
<b>"Share"</b>	a Share of any Share Class in the capital of the Company
<b>"Share Class"</b>	a class of Shares with a specific fee structure, currency of denomination or other specific feature
<b>"Shareholder"</b>	a holder of Shares in the Company
<b>"Short-Term Variable Money Market Fund"</b>	a Money Market Fund that (i) invest in Money Market Instruments referred to in Article 10 (1) of the MMFR, (ii) is subject to the portfolio rules set out in Article 24 of the MMFR and (iii) complies with the specific requirements laid down in Articles 29, 30 and 33 (1) of the MMFR
<b>"SOFR"</b>	Secured Overnight Financing Rate
<b>"SONIA"</b>	Sterling Overnight Index Average
<b>"Sum of Notionals"</b>	a measure of the level of leverage as calculated by taking the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's Net Asset Value. The Global Exposure to the underlying investments (i.e. the 100% of Global Exposure represented by actual net assets) is not included in the calculation, only the incremental Global Exposure from the financial derivative contracts being taken into account for the purpose of calculation of the Sum of Notionals

This methodology does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result, strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund;
- allow the netting of derivative positions. As a result, derivative roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk;
- take into account the derivative underlying assets' volatility or make a distinction between short-dated & long-dated assets;
- consider the delta for option contracts, so there is no adjustment for the likelihood that any option contract will be exercised. As a result, a Fund that has out of the money option contracts that are not likely to be exercised will appear to have the same leverage as a Fund with comparable figures for sum of notionals where the option contracts are in the money and are likely to be exercised, even though the potential leveraging effect of out of the money options tends to increase as the price of the underlying asset approaches the strike price, then tends to dissipate as the price of the underlying rises further and the contract goes deep into the money

<b>"Third Country"</b>	member countries of the Organisation of Economic Co-operation and Development ("OECD") that meet the credit quality criteria of the investment policy of the Funds that qualify as Money Market Funds
<b>"Third Party Payment"</b>	payments received from, or made by/to, a party other than the registered Investor
<b>"TONAR"</b>	Tokyo Overnight Average Rate
<b>"UCI" or "other UCI"</b>	Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point a) and b) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended
<b>"UCITS"</b>	Undertaking for Collective Investment in Transferable Securities authorised according to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended
<b>"UCITS Directive"</b>	means Directive 2009/65/EC on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as amended by Directive 2014/91/EU
<b>"USA" or "US"</b>	United States of America
<b>"Valuation Day" or "Pricing Day"</b>	any day on which the New York Stock Exchange ("NYSE") is open or any full day on which banks in Luxembourg are open for normal business (other than during a suspension of normal dealing). With respect to the Franklin Japan Fund, Templeton All China Equity Fund and Templeton China A-Shares Fund, the Management Company may also take into account whether relevant local stock exchanges and/or Regulated Markets which are the principal market(s) for a significant portion of the investments attributable to the Franklin Japan Fund, Templeton All China Equity Fund and Templeton China A-Shares Fund are closed for trading, and may elect to treat such closures as non-Valuation Days for these Funds. Further information on the applicable Valuation Days for the Funds can be found on the website: <a href="http://www.franklintempleton.lu">http://www.franklintempleton.lu</a>
<b>"Value-at-Risk (VaR) approach"</b>	an approach for measuring risk or "Global Exposure" based on Value-at-Risk or VaR, which is a measure of the maximum potential loss that can arise at a given confidence level over a specific time period under normal market conditions. VaR may be expressed in absolute terms as a currency amount specific to a portfolio, or as a percentage when the currency amount is divided by total net assets. VaR may also be expressed in relative terms, where the VaR of the Fund (expressed in percentage terms) is divided by the VaR of its relevant benchmark (also expressed in percentage terms), generating a ratio known as relative VaR. Under Luxembourg Law absolute VaR limits are currently 20% of total net assets and relative VaR limits are currently twice or 200% of the benchmark VaR

**"Weighted Average Life"**

the average length of time to legal maturity of all of the underlying assets in the Money Market Fund reflecting the relative holdings in each asset

**"Weighted Average Maturity"**

the average length of time to legal maturity or, if shorter, to the next interest rate reset to a money market rate, of all of the underlying assets in the Money Market Fund reflecting the relative holdings in each asset

**All references herein to time are to Central European time (CET) unless otherwise indicated. Words implying the singular shall, where the context permits, include the plural and vice versa.**

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## **FUND INFORMATION, OBJECTIVES AND INVESTMENT POLICIES**

The Company aims to provide Investors with a choice of Funds investing in a wide range of transferable securities and other eligible assets on a worldwide basis and featuring a diverse array of investment objectives including capital growth and income. The overall objective of the Company is to seek to minimise investment risk exposure through diversification and to provide Investors with the benefit of a portfolio managed by entities of Franklin Templeton according to its successful time-tested investment selection methods.

As more fully disclosed in Appendix D, a Fund shall be solely liable for its own assets and liabilities.

Within the limits of the Company's investment restrictions as more fully described in Appendix B, the Funds (except Money Market Funds which are subject to specific restrictions detailed under section 5 of Appendix B) may invest in "when-issued" securities, lend their portfolio securities and borrow money. Within the same limits, these Funds may for the purpose of generating additional capital or income or for reducing costs or risks (i) enter, either as purchaser or seller, into optional as well as non-optional repurchase transactions and (ii) engage in securities lending transactions.

Further, subject to the limits set forth in the investment restrictions, the Company may with respect to each Fund, invest in financial derivative instruments for the purpose of efficient portfolio management (except for Money Market Funds) and/or to hedge against market or currency risks.

In addition, the Company may also seek to protect and enhance the asset value of its different Funds through hedging strategies consistent with the Funds' investment objectives by utilising, for example, currency options, forward contracts and futures contracts.

To the extent permitted under applicable laws and regulations, the underlying to the financial derivative instruments used by the Funds for any purposes must only consist of eligible instruments, financial indices, interest rates, foreign exchange rates or currencies, in which the Funds may invest according to their specific investment objectives and policy and the investment restrictions applicable thereto.

For the avoidance of doubt, Money Market Funds can only invest in financial derivative instruments for hedging their interest rate or exchange rate risks.

When a Fund investment policy states that investments will be made "primarily", "principally" or "mainly" in a particular type of security, or in a particular country, region or industry, it generally means that at least two-thirds of this Fund's net assets (without taking into account ancillary liquid assets) shall be invested into such security, country, region or industry.

Each Fund may, on an ancillary basis, hold liquid assets when the Investment Manager believes they offer more attractive opportunities or as a temporary defensive measure in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. In exceptional market circumstances and on a temporary basis only, 100% of any Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading. Such assets may be kept in the form of cash deposits or in Money Market Instruments.

When a Fund may invest in total return swaps or other financial derivative instruments with similar characteristics, the underlying assets and investment strategies to which exposure will be gained are described in the relevant Fund's investment policy.

The Management Company has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. The Management Company and/or Investment Manager(s) integrate sustainability risks and opportunities into their research, analysis and investment decision-making processes.

Sustainability risk, as further described in the "Risk Considerations" section, means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of a Fund's investment. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks.

Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. All Funds of the Company do currently integrate sustainability risk in their investment decision-making process. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/or portfolio composition. The Management Company and/or relevant Investment Managers make use of specific methodologies and databases into which environmental, social, and governance (ESG) data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the Management Company and/or the relevant Investment Manager/Investment Manager's models, there may be a sudden, material negative impact on the value of an investment, and hence on the Net Asset Value of the Fund. Except where sustainability risk is not deemed relevant for a particular Fund, in which case further explanation can be found in the Fund's specific section, such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the Net Asset Value of the Fund.

The investment objectives and policies described below are binding on the Management Company and the respective Investment Managers of the Funds.

## FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund invests principally in equity securities of biotechnology companies and discovery research firms (including small to mid-sized companies) located in the US and other countries, and to a lesser extent in debt securities of any type of issuers worldwide.

For the Fund's investment purposes, a biotechnology company is one that has at least 50% of its earnings derived from biotechnology activities, or at least 50% of its net assets devoted to such activities based on the company's most recent fiscal year. Biotechnology activities are research, development, manufacture, and distribution of various biotechnological or biomedical products, services and processes. This may include companies involved with genomics, genetic engineering, and gene therapy. It also includes companies involved in the application and development of biotechnology in areas such as health care, pharmaceuticals, and agriculture.

To the extent that the Fund invests in debt securities, it generally buys securities that are rated investment grade or unrated securities that it determines to be of comparable quality. Investment grade debt securities are rated in the top four ratings categories by independent rating organisations such as Standard & Poor's Corporation or Moody's Investors Service, Inc.

The Fund anticipates that under normal conditions, it will invest more of its net assets in US securities than in those of any other single country although the Fund may have more than 50% of its net assets in non-US securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 22% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities
- a growth investment in the biotechnology sector in the US and around the world
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Market risk
- Securities Lending risk

Other risks that may be relevant to the Fund:

- Counterparty risk
- Debt Securities risk
- Liquidity risk
- Smaller and Midsize Companies risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN CHINA MULTI-ASSET INCOME FUND

### Asset Class

Multi-Asset Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is to achieve a combination of income and long-term capital appreciation.

### Investment Policy

The Fund seeks to achieve its investment objective by investing primarily in a diversified portfolio of (i) equity securities of companies which are based in, listed on any stock exchange of, or operate principally in the People's Republic of China (PRC) and (ii) Chinese debt securities issued and/or distributed in or outside the PRC.

The Fund seeks to achieve its objective by investing a portfolio of equity and equity-related securities of companies domiciled in, or exercising the predominant part of their activity in the People's Republic of China (PRC). The Fund may invest in China B-Shares, China H-Shares and in China A-Shares through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios and also direct investment into China A-Shares through the QFII channel, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations.

The Fund seeks to achieve its objective by investing in fixed income transferable securities denominated in Renminbi or other non-Chinese domestic currencies issued by entities exercising the predominant part of their economic activity in the PRC through the Bond Connect or directly (also referred to as CIBM direct), through onshore or offshore issuances and/or any permissible means available to the Fund under prevailing laws and regulations. Such securities may include bonds and debt securities issued by governments and their agencies, financial institutions, corporations or other organisations or entities.

The Fund may further invest in time deposits, cash and Money Market Instruments and up to 10% of its net assets in units of undertaking for collective investments such as UCITS or other UCIs.

The Fund may use financial derivative instruments for hedging, efficient portfolio management as well as investment purposes. These financial derivative instruments include but are not limited to swaps, forwards, futures contracts (including futures on equity indices and on government securities), as well as options, both exchange traded and/or over-the-counter (including but not limited to covered calls).

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and income by investing in a diversified portfolio of equity and debt securities of China
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Counterparty risk
- Credit Risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Credit-Linked Securities risk
- Distressed Securities risk
- Emerging Markets risk
- Investment Funds risk
- Liquidity risk
- Model risk
- Swap Agreements risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Templeton Investments (Asia) Limited.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.



## FRANKLIN DISRUPTIVE COMMERCE FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund invests principally in equity securities of companies that are relevant to the Fund's investment theme of disruptive commerce. Equity securities generally entitle the holder to participate in a company's general operating results. While the Fund invests predominantly in common stocks, it could also invest in preferred stock, convertible securities and warrants on securities.

Companies relevant to the Fund's investment theme of disruptive commerce are those that the Investment Manager believes are substantially focused on and/or are expected to substantially benefit from electronic commerce (or "e-commerce"), auctions, the sharing economy, electronic payment capabilities ("e-payments"), drop shipping, direct marketing or significant decreases in transport and delivery costs, all of which provide the customer with a more customized, secure and time efficient buying process. These companies may include retailers, payment companies, logistics and delivery companies, software companies that focus on multi-channel capabilities, as well as companies utilizing innovative marketing methods.

In pursuing the Fund's investment theme, the Investment Manager may invest in companies in any economic sector or of any market capitalization and may invest in companies both inside and outside of the United States, including those in developing or emerging markets. Although the Fund may invest across economic sectors, the Fund concentrates its investments in consumer discretionary related industries. The Fund is a "non-diversified" fund, which means it generally invests a greater proportion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

While the Fund invests, under normal market conditions, at least 80% of its net assets in equity securities, the Fund can seek investment opportunities in other types of securities including but not limited to debt and fixed income securities (which may include all varieties of fixed and floating-rate income securities of any maturity or quality of corporate issuers worldwide), as well as up to 10% of its net assets in open and closed-end UCIs (including exchange traded funds). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- achieve capital appreciation by investing in equity securities of companies providing customers with a more customized, secure and time efficient buying process
- invest for the medium to long term

### Risk Considerations

The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

Principal risks to the Fund's investment strategy:

- Concentration Risk
- Market risk
- Thematic Investing risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Class Hedging risk
- Credit risk
- Debt Securities risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Smaller and Midsize Companies risk
- Warrants risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN DIVERSIFIED BALANCED FUND

### Asset Class

Multi-Asset Fund

### Base Currency

Euro (EUR)

### Investment Objectives

The Fund's investment objective is to achieve a combination of income and long-term capital appreciation, targeting a yearly average return of 3.5% (net of fees) in excess of the Euro Interbank Offered Rate (EURIBOR) over a rolling three year period. The Fund aims to achieve its objective with an annualised volatility ranging, under normal market conditions, between 5% and 8%. There is no guarantee that the Fund will achieve its return objective, nor that it will remain within the aimed-for volatility range.

### Investment Policy

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, collective investment schemes, cash and equivalents, as well as indirect exposure to "alternative" investments.

The Fund invests directly or indirectly (through collective investment schemes, financial derivative instruments and structured products) in securities of issuers of any market capitalisation located anywhere in the world, including Emerging Markets. The Fund may have up to 75% net long exposure directly or indirectly to equities and equity-related securities. The remaining net assets are normally invested directly or indirectly in debt securities (including lower rated or non-investment grade securities, defaulted debt securities, and convertible or contingent convertible securities as well as distressed debt securities) as well as, up to 10%, in "alternative" asset classes such as real estate, infrastructure and commodities. Investments in contingent convertible securities are limited to 5% of the Fund's net assets. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets. Gross absolute exposure to equities may therefore exceed 75%.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments include but are not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options (including covered calls). In this context, the Fund may seek exposure to, inter alia, commodities or real estate through the use of financial derivative instruments on eligible financial indices. The Fund may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes into which the Fund may invest (limited to 10% of the Fund's net assets) may either be managed by Franklin Templeton or other asset managers.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 120%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- medium to long-term capital appreciation and income with moderate volatility
- a relatively cautious approach to the growth opportunities offered through investment in equities, debt securities and cash

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Real Assets risk

- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk
- Underlying Investment Funds risk

#### **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 300%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Templeton International Services S.à r.l. and Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN DIVERSIFIED CONSERVATIVE FUND**

#### **Asset Class**

Multi-Asset Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is to achieve a combination of income and long-term capital appreciation, targeting a yearly average return of 2% (net of fees) in excess of the Euro Interbank Offered Rate (EURIBOR) over a rolling three year period. The Fund aims to achieve its objective with an annualised volatility ranging, under normal market conditions, between 3% and 5%. There is no guarantee that the Fund will achieve its return objective, nor that it will remain within the aimed-for volatility range.

#### **Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, collective investment schemes, cash and equivalents, as well as indirect exposure to "alternative" investments.

The Fund invests directly or indirectly (through collective investment schemes, financial derivative instruments and structured products) in securities of issuers of any market capitalisation located anywhere in the world, including Emerging Markets. The Fund may have up to 40 % net long exposure directly or indirectly to equities and equity-related securities. The remaining net assets are normally invested directly or indirectly in debt securities (including lower rated or non-investment grade securities, defaulted debt securities, and convertible or contingent convertible securities as well as distressed debt securities) as well as, up to 10%, in "alternative" asset classes such as real estate, infrastructure and commodities. Investments in contingent convertible securities are limited to 5% of the Fund's net assets. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets. Gross absolute exposure to equities may therefore exceed 40%.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments include but are not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options (including covered calls). In this context, the Fund may seek exposure to, inter alia, commodities or real estate through the use of financial derivative instruments on eligible financial indices. The Fund may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes into which the Fund may invest (limited to 10% of the Fund's net assets) may either be managed by Franklin Templeton or other asset managers.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 120%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- medium-term capital appreciation and income with low volatility
- limited exposure to the growth opportunities offered through investment in equities

## **Risk Considerations**

Principal risks to the Fund 's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Real Assets risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk
- Underlying Investment Funds risk

## **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 300%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

## **Investment Manager(s)**

Franklin Templeton International Services S.à r.l. and Franklin Advisers, Inc.

## **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN DIVERSIFIED DYNAMIC FUND**

### **Asset Class**

Multi-Asset Fund

### **Base Currency**

Euro (EUR)

### **Investment Objectives**

The Fund's investment objective is to achieve long-term capital appreciation, targeting a yearly average return of 5% (net of fees) in excess of the Euro Interbank Offered Rate (EURIBOR) over a rolling three year period. The Fund aims to achieve its objective with an annualised volatility ranging, under normal market conditions, between 8% and 11%. There is no guarantee that the Fund will achieve its return objective, nor that it will remain within the aimed-for volatility range.

### **Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, collective investment schemes, cash and equivalents, as well as indirect exposure to "alternative" investments.

The Fund invests directly or indirectly (through collective investment schemes, financial derivative instruments and structured products) in securities of issuers of any market capitalisation located anywhere in the world, including Emerging Markets. The Fund may have up to 100% net long exposure directly or indirectly to equities and equity-related securities. The remaining net assets are normally invested directly or indirectly in debt securities (including lower rated or non-investment grade securities, defaulted debt securities, and convertible or contingent convertible securities as well as distressed debt securities) as well as up to 10% in "alternative" asset classes such as real estate, infrastructure and commodities. Investments in contingent convertible securities are limited to 5% of the Fund's net assets. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets. Gross absolute exposure to equities may therefore exceed 100%.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments include but are not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options (including covered calls). In this context, the Fund may seek exposure to, inter alia, commodities or real estate through the use of financial derivative instruments on eligible financial indices. The Fund may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes into which the Fund may invest (limited to 10% of the Fund's net assets) may either be managed by Franklin Templeton or other asset managers.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 120%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- long-term capital appreciation
- a higher level of volatility to maximise long-term returns

**Risk Considerations**

Principal risks to the Fund 's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Real Assets risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk
- Underlying Investment Funds risk

**Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 300%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Templeton International Services S.à r.l. and Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN EMERGING MARKET CORPORATE DEBT FUND**

**Asset Class**

Fixed income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's objective is to achieve income yield and long-term capital appreciation.

**Investment Policy**

The Fund seeks to achieve its investment objective by investing primarily in fixed and floating rate debt securities and debt obligations of any maturity or credit quality (which may include predominantly or even, exclusively, non-investment grade, low-rated and/or unrated securities), of (i) corporate issuers and (ii) government-related issuers (including but not limited to companies majoritarily owned by national or local governments or international organisations which are supported by several governments, including national and international development banks), which are located in emerging market countries and/or deriving a significant proportion of their economic activity from developing or emerging countries. The Fund may also invest in Money Market Instruments.

The Fund may for the purpose of hedging and/or efficient portfolio management utilise financial derivative instruments. The Fund may also, on an ancillary basis, utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, *inter alia*, swaps (such as credit default swaps), forwards and cross currency forwards, futures contracts, as well as options. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security, or is linked to assets or currencies of any developing or emerging country.

The Fund may also invest up to 20% of its net assets in distressed debt securities (i.e. (i) which are rated CCC or below by at least two ratings agencies, or if unrated their equivalent, and (ii) with a credit spread above 1,000 bps). However, most of the time, such exposure would result from passive situation where securities become distressed, due for example to a general decline or other adverse market, economic, political, or other conditions. For the purpose of the Fund's investment policy, distressed securities should be construed as (i) including defaulting debt securities and (ii) securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. Investments in defaulted debt securities would not exceed 15% of the Fund's net assets. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and may hold equity securities including warrants to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may invest up to 20% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income yield and long-term capital appreciation by investing in emerging markets debt obligations of any kind
- invest for the medium to long term

**Risk considerations**

Principal risks to the Fund 's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Credit-Linked Securities risk
- Derivative Instruments risk
- Distressed Securities risk
- Restructuring Companies risk
- Swap Agreements risk
- Warrants risk

**Leverage**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## FRANKLIN EMERGING MARKET SOVEREIGN DEBT HARD CURRENCY FUND

### Asset Class

Fixed income Fund

### Base Currency

USD

### Investment Objectives

The Fund's investment objective is to achieve income yield and long-term capital appreciation.

### Investment Policy

The Fund invests at least 80% of its net assets in the components of the J. P. Morgan Emerging Market Bond Index Global Diversified Index (the "Benchmark") and will target opportunities for benchmark constrained debt securities and debt obligations of emerging markets sovereign and quasi-sovereign issuers. The Fund principally invests in fixed and floating rate debt securities and debt obligations of government and government related issuers as well as supranational entities organised or supported by several national governments which are reflected in the benchmark. The Fund may also invest in corporate issuers located in Emerging Market countries and deriving a significant proportion of their economic activity from developing or Emerging Market countries, including Mainland China through the Bond Connect or directly (also referred to as CIBM direct). Investments in Mainland China will not exceed 10% of the Fund's net assets. These securities will be denominated in hard currencies (i.e. currencies of developed economies including but not limited to EUR, GBP, USD, JPY and CHF).

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swap, interest rate swaps and currency swaps), forwards and cross currency forwards, futures contracts, as well as options.

The Fund may also invest in credit-linked or index-linked (including inflation-linked) securities and structured products (such as collateralised debt obligations) where the security is linked to or derives its value from another security, or is linked to assets or one of the above-mentioned hard currencies.

The Fund may hold on an ancillary basis equity securities including warrants (as a result of a refinancing transaction or to the extent that such securities result from the conversion of debt obligations which represent proceeds from restructuring or bankruptcy) as well as contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets). The Fund may also invest in Money Market Instruments and enter into repurchase and/or reverse repurchase agreements.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs (including ETFs).

The Fund is actively managed, and the Benchmark is used as a universe to select investments. Although the Investment Manager is constrained by the Benchmark in its portfolio positioning/composition, the Fund is not obliged to hold all of the Benchmark constituents and may invest up to 20% of its net assets outside the Benchmark. The Investment Manager has complete discretion to deviate from the Benchmark's weightings.

### Exposure to repurchase and/or reverse repurchase agreements

The expected level of exposure that could be subject to repurchase and/or reverse repurchase agreements amounts to 7% of the Fund's net assets, subject to a maximum of 15%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income yield and long-term capital appreciation by investing in securities components of the J. P. Morgan Emerging Market Bond Index Global Diversified Index (principally debt securities and debt obligations of emerging markets sovereign and quasi-sovereign issuers)
- invest for the medium to long term

### Risk considerations

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securitisation risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Frontier Markets risk
- Political and Economic risk
- Repurchase and Reverse Repurchase Transactions risk

- Structured Notes risk
- Swap Agreements risk
- Warrants risk

#### **Leverage**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Investment Management Limited

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN EMERGING MARKETS DEBT OPPORTUNITIES HARD CURRENCY FUND**

#### **Asset Class**

Fixed income Fund

#### **Base Currency**

USD

#### **Investment Objectives**

The Fund's investment objective is to achieve income yield and long-term capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its investment objective by investing primarily in a diversified portfolio of fixed and floating rate debt securities and debt obligations that are issued by government and government related issuers as well as supranational entities organised or supported by several national governments and corporate issuers located in Emerging Market countries, and deriving a significant proportion of their economic activity from developing or Emerging Market countries, including Mainland China. These securities will be denominated in hard currencies (i.e. currencies of developed economies including but not limited to EUR, GBP, USD, JPY and CHF).

All investments in debt securities will, at time of purchase, be rated as B minus or above by Standard & Poor's or equivalent if rated by other ratings agencies. In this respect, if two different ratings are used, only the lesser will be considered and if three different ratings are used, then the lesser of the two better ratings will be considered. If unrated, securities must be declared to be of comparable quality by the Investment Manager.

The Fund may also utilise financial derivative instruments for hedging and efficient portfolio management. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swap, interest rate swaps and currency swaps), forwards and cross currency forwards, futures contracts, as well as options.

The Fund may also invest in credit linked notes or structured products (such as collateralised debt obligations) where the security is linked to or derives its value from another security, or is linked to assets or one of the above-mentioned hard currencies.

The Fund may hold on an ancillary basis equity securities including warrants (as a result of a refinancing transaction or to the extent that such securities result from the conversion of debt obligations which represent proceeds from restructuring or bankruptcy) as well as contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets). The Fund may also invest in Money Market Instruments and enter into repurchase and/or reverse repurchase agreements.

#### **Exposure to repurchase and/or reverse repurchase agreements**

The expected level of exposure that could be subject to repurchase and/or reverse repurchase agreements amounts to 7% of the Fund's net assets, subject to a maximum of 15%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income yield and long-term capital appreciation by investing in emerging markets debt obligations excluding securities rated below B minus
- invest for the medium to long term

#### **Risk considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securitisation risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk



- Credit-Linked Securities risk
- Frontier Markets risk
- Political and Economic risk
- Repurchase and Reverse Repurchase Transactions risk
- Structured Notes risk
- Swap Agreements risk
- Warrants risk

**Leverage**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN EURO GOVERNMENT BOND FUND**

**Asset Class**

Fixed Income Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income and capital appreciation.

**Investment Policy**

The Fund principally invests in investment grade obligations of government and government-related issuers as well as supranational entities located throughout the European Monetary Union (Eurozone countries).

In addition, in accordance with the investment restrictions, the Fund may invest in debt obligations of government, supranational and government-related issuers worldwide (including non-investment grade securities) with a maximum 15% combined limit for investments in securities issued by (i) non-European Monetary Union issuers and (ii) issuers with ratings of BB+ or below and Ba1 or below. The Fund may, in addition, invest in credit-linked securities or other structured products (such as mortgage- and asset-backed securities, including collateralised debt obligations) that derive their value from an index, security or currency.

The Fund employs a proprietary environmental, social and governance (ESG) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of the Fund's portfolio.

In relation to government bond issuers, quasi-government issuers and government agencies, the Fund uses a combination of data inputs to determine 'climate transition performance' (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to direct emissions trajectory relative to peers, low carbon transition status, management of climate related risks, overall environmental score, energy resource management, management of environmental externalities and energy security risk.

The investment management team uses these inputs to determine the 'climate transition performance' for each issuer, and the Fund is prohibited from investing in those issuers that are seen to be the poorest performers in terms of this metric. This is a binding constraint, implemented using compliance restrictions on the issuers that are seen as laggards, as well as an ongoing process that includes a quarterly assessment for any changes in status. As a result, the Fund excludes from its portfolio issuers that score in the bottom 20% of its investable universe.

In addition, the Fund is not permitted to invest in sovereign bonds issued by countries that have insufficient scoring according to the Freedom House Index, or those with an ESG rating of CCC according to MSCI.

The Fund may also utilise financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may be dealt on either (i) Regulated Markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate and related swaps and forwards.

Such debt obligations shall be denominated in or hedged to euro. The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 8 of the SFDR
- maximise total investment return consisting of interest income and capital appreciation by investing in debt securities of government and government-related issuers from member countries of the European Monetary Union
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund 's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Market risk

Other risks that may be relevant to the Fund:

- Dividend Policy risk
- Liquidity risk
- Securities Lending risk
- Securitisation risk
- Sustainability risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN EURO HIGH YIELD FUND****Asset Class**

Fixed Income Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

**Investment Policy**

The Fund seeks to achieve its objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed income debt securities of European or non-European issuers. The Fund will have an allocation to fixed income securities of at least 75%. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts either dealt on Regulated Markets or over-the-counter. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. The Fund principally invests in euro-denominated or non-euro denominated euro-hedged, fixed income debt securities with non-investment grade ratings, or if unrated, their equivalent. The Investment Managers attempt to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily or on an ancillary basis, seek investment opportunities in any other types of euro-denominated securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its net assets in credit-linked securities, which the Investment Managers may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its net assets in securities in default.

The name of the Fund reflects the base currency of the Fund being in euro, and does not necessarily imply that any particular proportion of the Fund's net invested assets are made in euro.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- earn a high level of income, and to a lesser extent, some capital appreciation in a Fund having the euro as its base currency and investing in euro-denominated high-yield fixed income securities
- invest for the medium to long term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Floating Rate Corporate Investment risk
- Foreign Currency risk
- Restructuring Companies risk
- Securities Lending risk
- Securitisation risk
- Swap Agreements risk
- Warrants risk

### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### **Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN EURO SHORT DURATION BOND FUND**

### **Asset Class**

Fixed Income Fund

### **Base Currency**

Euro (EUR)

### **Investment Objectives**

The Fund's investment objective is to maintain a degree of capital preservation and liquidity, whilst maximising total returns and income.

### **Investment Policy**

The Fund seeks to achieve its objective by investing primarily in short dated fixed and floating-rate debt securities and debt obligations of European sovereign and corporate issuers as well as euro-denominated debt of non-European corporate issuers that are rated investment grade or if unrated, of comparable quality. The Fund may hold a maximum of 10% in low-rated, non-investment grade and defaulted debt securities, or if unrated, of comparable quality. The Fund may, in addition, invest in credit-linked securities or other structured products (such as mortgage- and asset-backed securities, including collateralised debt obligations as well as collateralised loan obligations) that derive their value from an index, security or currency.

The Fund employs a proprietary environmental, social and governance (ESG) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of issuers present in the Fund's portfolio and is binding for the portfolio construction.

In relation to corporate issuers, the Fund uses a combination of external and internal data inputs to determine 'climate transition performance' (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to issuers' direct emissions trajectory relative to peers, decarbonisation of product and services portfolio, and the assessment of opportunities in clean technology and energy.

In relation to government bond issuers, the Fund uses a combination of data inputs to determine 'climate transition performance', including but not limited to issuers' environmental risk exposure and environmental risk management. These include data relating to energy resource management, resource conservation, water resource management, environmental performance, management of environmental externalities, energy security risk, productive land and mineral resources, vulnerability to environmental events and environmental externalities. The Fund is not permitted to invest in sovereign bonds issued by countries that have insufficient scoring according to the Freedom House Index, or those with an ESG rating of CCC according to MSCI.

ESG factors are an important component of the Fund's corporate credit research process, combining bottom-up fundamental credit analysis with a review of any material ESG factors to arrive at a holistic assessment of credit strengths, weaknesses and potential risks. The Investment Managers' analysts may work with issuers presenting specific carbon emissions, water and wastewater issues so as to improve the risk-management they apply in these areas.

Across the entire portfolio<sup>1</sup>, the Fund shall not invest in companies that:

- Repeatedly and seriously violate the United Nations Global Compact principles such as
  - Protection of international human rights
  - No complicity in human rights violations
  - Respect for freedom of association and the right to collective bargaining
  - Elimination of forced labour
  - Abolition of child labour
  - Elimination of discrimination in respect of employment and occupation
  - Precautionary principle in dealing with environmental problems / approach to environmental challenges
  - Promoting greater environmental awareness / responsibility
  - Development and dissemination / diffusion of environmentally friendly technologies
  - Working / Standing up against corruption in all its forms
  - Insufficient scoring according to the Freedom House Index for sovereign issuers (<https://freedomhouse.org/report/freedom-world/freedom-world-2018>)
- Manufacture military equipment and/or controversial weapons - those that are defined as being indiscriminate; or those that manufacture components intended for use in such weapons.
- Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Investment Managers' thresholds (5%).
- Derive unacceptable levels of revenue from the most polluting fossil fuels.
- Fall short of the Investment Managers' threshold level for using lower-carbon fossil fuels.
- Exceed our tolerance levels of fossil fuels used to generate electricity.
- Score an ESG rating of CCC.

As a result, the Fund uses a selectivity approach in order to exclude from its portfolio issuers that score in the bottom 20% of each respective investment universe.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as interest rate swaps, currency swaps, credit default swaps and total return swaps on fixed income including loan indices), forwards and cross currency forwards, futures contracts, as well as options on such instruments.

The Fund intends to purchase fixed and floating-rate securities with debt obligations denominated in euros and a maximum of 10% in non-euro denominated currencies.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 8 of the SFDR
- maintain liquidity, maximising total returns and income
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Dividend Policy risk
- Foreign Currency risk

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<sup>1</sup> A buffer of 5% is allowed for investments in companies that would not fulfil these criteria.

- Liquidity risk
- Securities Lending risk
- Securitisation risk
- Sustainability risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN EUROPEAN CORPORATE BOND FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return through a combination of interest income and capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in investment-grade fixed or floating-rate debt securities of European corporate issuers and euro-denominated debt securities of non-European corporate issuers. The Fund may also utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, total return swaps on fixed income including loans indices), forward and cross forwards, futures contracts, as well as options. Use of these financial derivative instruments may result in negative exposures in a specific yield curve/duration or currency. The Fund may in addition, in accordance with the investment restrictions, invest in credit-linked securities or other structured products (such as mortgage- or other asset-backed securities and collateralised debt obligations as well as collateralised loan obligations) that derive their value from another European-related index, security or currency. The Fund principally invests in fixed income debt securities either denominated in euro or, if denominated in another currency, hedged into euro.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, for defensive purposes or on an ancillary basis, seek investment opportunities in other types of securities including but not limited to government debt securities, supranational entities organised or supported by several national governments, non-investment grade debt securities, bonds convertible into common stock, preferred stock and warrants.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- total investment return through a combination of interest income and capital appreciation
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Templeton Institutional, LLC

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN EUROPEAN TOTAL RETURN FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing in a portfolio of fixed and floating-rate debt securities and debt obligations of governments, government-related or corporate issuers with registered office in Europe and in euro-denominated securities of non-European issuers.

The Fund employs a proprietary environmental, social and governance (ESG) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of issuers present in the Fund's portfolio and is binding for the portfolio construction.

In relation to corporate issuers, the Fund uses a combination of external and internal data inputs to determine 'climate transition performance' (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to issuers' direct emissions trajectory relative to peers, decarbonisation of product and services portfolio, and the assessment of opportunities in clean technology and energy.

In relation to government and government-related issuers, the Fund uses a combination of data inputs to determine 'climate transition performance', including but not limited to issuers' environmental risk exposure and environmental risk management. These include data relating to energy resource management, resource conservation, water resource management, environmental performance, management of environmental externalities, energy security risk, productive land and mineral resources, vulnerability to environmental events and environmental externalities. The Fund is not permitted to invest in sovereign bonds issued by countries that have insufficient scoring according to the Freedom House Index, or those with an ESG rating of CCC according to MSCI.

ESG factors are an important component of the Fund's corporate credit research process, combining bottom-up fundamental credit analysis with a review of any material ESG factors to arrive at a holistic assessment of credit strengths, weaknesses and potential risks. The Investment Managers' analysts may work with issuers presenting specific carbon emissions, water and wastewater issues so as to improve the risk-management they apply in these areas.

Across the entire portfolio<sup>2</sup>, the Fund shall not invest in issuers that:

- Repeatedly and seriously violate the United Nations Global Compact principles such as
  - Protection of international human rights
  - No complicity in human rights violations
  - Respect for freedom of association and the right to collective bargaining
  - Elimination of forced labour
  - Abolition of child labour
  - Elimination of discrimination in respect of employment and occupation
  - Precautionary principle in dealing with environmental problems / approach to environmental challenges
  - Promoting greater environmental awareness / responsibility
  - Development and dissemination / diffusion of environmentally friendly technologies
  - Working / Standing up against corruption in all its forms
  - Insufficient scoring according to the Freedom House Index for sovereign issuers (<https://freedomhouse.org/report/freedom-world/freedom-world-2018>)
  - Manufacture military equipment and/or controversial weapons - those that are defined as being indiscriminate; or those

<sup>2</sup> A buffer of 5% is allowed for investments in companies that would not fulfil these criteria.

- that manufacture components intended for use in such weapons.
- Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Investment Managers' thresholds (5%).
- Derive more than 5% of their revenue from gambling or adult entertainment;
- Derive unacceptable levels of revenue from the most polluting fossil fuels.
- Fall short of the Investment Managers' threshold level for using lower-carbon fossil fuels.
- Exceed our tolerance levels of fossil fuels used to generate electricity.
- Score an ESG rating of CCC.

As a result, the Fund uses a selectivity approach in order to exclude from its portfolio issuers that score in the bottom 20% of each respective investment universe.

The Fund may also, in accordance with the investment restrictions, invest in securities or structured products (such as collateralised debt obligations as well as collateralised loan obligations) where the security is linked to or derives its value from another security, linked to assets or currencies of any European country. More specifically, the Fund may purchase debt obligations issued by governments and supranational entities organised or supported by several national governments.

The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund may also utilise certain financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may be dealt on Regulated Markets or over-the-counter, and may include index-based financial derivatives, credit default swaps and total return swaps on fixed income including loan indices, forwards or futures contracts, or options on such contracts, including those on European government bonds. The net assets of the Fund shall primarily (e.g. at least two-thirds of the net assets without taking into account ancillary liquid assets) be invested in securities or financial derivative instruments based on securities of European issuers and in euro-denominated securities of non-European issuers.

The Fund may invest in investment-grade and non-investment grade debt securities, including high-yield corporate debt, private placements, global bonds and currencies of Emerging Market countries, of which up to 10% of the Fund's net assets may be in securities in default.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 8 of the SFDR
- a high level of income and capital preservation, and to a lesser extent, capital growth by investing in fixed income securities and derivative instruments from European governments or corporate issuers
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Securities Lending risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN FLEXIBLE ALPHA BOND FUND****Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's principal investment objective is to seek total return through a combination of current income and capital appreciation in excess of the London Interbank Offered Rate (LIBOR) 90 Day (USD)<sup>3</sup> over a full market cycle (being a period of time that spans a full business and economic cycle, which may include periods of rising and declining interest rates).

**Investment Policy**

The Fund seeks to achieve its objectives by providing attractive risk-adjusted returns over a full market cycle by allocating its portfolio across a wide range of fixed and floating-rate debt securities and debt obligations of any maturity or credit rating (including investment grade, non-investment grade, low-rated, unrated securities and securities in default) of corporate and sovereign issuers worldwide.

In managing the Fund, the Investment Managers seek to generate returns from various sources, other than solely from interest rates, by allocating the Fund's portfolio across various risks (such as credit, currency, municipal and duration risks) and a wide area of debt securities in terms of country, sector, quality, maturity or duration (without reference to a benchmark index as is the case with most traditional fixed income funds). The Fund's portfolio may therefore include high yield ("junk") bonds, preferred securities and structured products such as mortgage-backed securities (including commercial and residential mortgage as well as collateralised mortgage obligations), asset-backed securities (backed by loans, leases or receivables), collateralised debt obligations (including collateralised loan obligations), and credit-linked or index-linked (including inflation-linked) securities that derive their value from an underlying asset or index. The Fund may engage in mortgage dollar roll transactions.

The Fund may engage in active and frequent trading as part of its investment strategies and, at any given time, may have a substantial amount of its assets invested in any class of debt securities. The Fund's weighted average portfolio duration may range from -2 to +5 years, as calculated by the Investment Managers, depending on the Investment Managers' forecast of interest rates and assessment of market risk generally.

The Fund regularly invests in currencies and currency related transactions involving financial derivative instruments. The Fund may maintain significant positions in currencies and currency related financial derivative instruments as a hedging technique or to implement a currency investment strategy, which could expose a large amount of the Fund's net assets to obligations under these instruments.

The Fund uses various financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default and interest rate swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit.

The Fund may take long and synthetic short positions in relation to fixed income and currencies. Long positions benefit from an increase in the price of the underlying instrument or asset class, while short positions benefit from a decrease in that price.

The Fund may also, temporarily or on an ancillary basis, invest in distressed debt securities (securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy), convertible securities or contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets). Investments in defaulted debt securities would, under normal market conditions, typically represent no more than 10% of the Fund's net assets. The Fund may also invest (i) up to 10% of its net assets in units of UCITS and other UCIs and (ii) up to 10% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 11% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income and capital appreciation by investing in wide range of fixed income securities and financial derivative instruments
- invest for the medium to long term

<sup>3</sup> As from October 1, 2021, the London Interbank Offered Rate (LIBOR) 90 Day (USD) will be replaced by the FTSE 3-Month US Treasury Bill Index.



## **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Securitisation risk
- Market risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Floating Rate Corporate Investment risk
- Inflation-Indexed Securities risk
- Restructuring Companies risk
- Structured Notes risk
- Swap Agreements risk

## **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

## **Investment Manager(s)**

Franklin Advisers, Inc.

## **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN FLEXIBLE CONSERVATIVE FUND**

### **Asset Class**

Multi-Asset Fund

### **Base Currency**

Euro (EUR)

### **Investment Objectives**

The Fund's investment objective is to achieve total return in excess of the Euro Interbank Offered Rate (EURIBOR) over a rolling three-year period, with a secondary objective of achieving a yearly average return of 2% (net of fees) in excess of EURIBOR over a rolling five-year period. There is no guarantee that the Fund will achieve its return objective. The Fund is actively managed. The Investment Manager only uses the Benchmark as a performance target which it aims to outperform.

### **Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, collective investment schemes, cash and equivalents, as well as indirect exposure to "alternative" investments.

The Fund invests directly or indirectly (through collective investment schemes, financial derivative instruments and structured products) in securities of issuers of any market capitalisation located anywhere in the world. The Fund's investment in Emerging Markets may represent a significant portion of the Fund's portfolio. The Fund may have up to 25% net long exposure directly or indirectly to equities and equity-related securities. The remaining net assets are normally invested directly or indirectly in debt securities (including lower rated, non-investment grade securities or high yield bonds or convertible securities as well as distressed debt securities) as well as, up to 10%, in "alternative" asset classes such as real estate, infrastructure and commodities through the use of financial derivative instruments on eligible financial indices, REIT equity securities, UCIs or ETFs. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets. Gross absolute exposure to equities may therefore exceed 25%.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments include but are not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards (including currency forwards), futures contracts (including futures on equity indices and on government securities), as well as options (including covered calls). The Fund may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes (including ETFs) into which the Fund may invest (limited to 10% of the Fund's net assets) may either be managed by Franklin Templeton Investments or other asset managers. The Fund may also invest up to 20% of its net assets in mortgage- and asset-backed securities and may, on an ancillary basis, invest in securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 150%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and income with an emphasis on downside protection
- invest over the medium-to-long term in a cautious multi-asset portfolio

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit Risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Dividend Policy risk
- Chinese Market risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Investment Funds risk
- Liquidity risk
- Real Assets risk
- Restructuring Companies risk
- Structured Notes risk
- Swap Agreements risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

#### **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 450%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Templeton International Services S.à r.l.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN FLEXIBLE GROWTH FUND**

#### **Asset Class**

Multi-Asset Fund

#### **Base Currency**

Euro (EUR)

### **Investment Objectives**

The Fund's investment objective is to achieve a combination of income and long-term capital appreciation, targeting a yearly average return of 4% (net of fees) in excess of the Euro Interbank Offered Rate (EURIBOR) over a rolling five-year period. There is no guarantee that the Fund will achieve its return objective. The Fund is actively managed. The Investment Manager only uses the Benchmark as a performance target which it aims to outperform.

### **Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, collective investment schemes, cash and equivalents, as well as indirect exposure to "alternative" investments.

The Fund invests directly or indirectly (through collective investment schemes, financial derivative instruments and structured products) in securities of issuers of any market capitalisation located anywhere in the world. The Fund's investments in Emerging Markets may represent a significant portion of the Fund's portfolio. Under normal market conditions, the Fund would expect to hold between 45% and 65% net long exposure to equity and equity-related securities. The Fund would not expect to exceed 75% net long exposure directly or indirectly to equities and equity-related securities. The remaining net assets are normally invested directly or indirectly in debt securities (including lower rated, non-investment grade securities or high yield bonds, or convertible securities, as well as distressed debt securities) as well as, up to 10% net long exposure, in "alternative" asset classes such as real estate, infrastructure and commodities through the use of financial derivative instruments on eligible financial indices, REIT equity securities, UCIs or ETFs. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets. Gross absolute exposure to equities may therefore exceed 75%.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments include but are not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options (including covered calls). The Fund may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes (including ETFs) into which the Fund may invest (limited to 10% of the Fund's net assets) may either be managed by Franklin Templeton Investments or other asset managers. The Fund may, on an ancillary basis, invest in securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 150%.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 25%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- achieve capital appreciation and income in a multi-asset approach
- invest in a diversified multi-asset with a target return goal

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk
- 

Other risks that may be relevant to the Fund:

- Dividend Policy risk
- Chinese Market risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Investment Funds risk
- Liquidity risk
- Real Assets risk
- Restructuring Companies risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

#### **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 450%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Templeton International Services S.à r.l.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN GULF WEALTH BOND FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains in the long term.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing primarily in fixed or floating-rate debt securities and obligations issued by government, government-related or corporate entities located in Gulf Cooperation Council (GCC) member countries. The fund may also purchase fixed or floating-rate debt securities and obligations issued by entities based in the wider Middle East and North Africa regions as well as supranational entities organised by several national governments, such as the International Bank for Reconstruction and Development.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit.

In accordance with the investment restrictions, the Fund may invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. Structured products include Sukuk, such as Ijara, Wakala, Murabaha, Mudharaba, Musharaka or a combination of two such structures (hybrid Sukuk), which under normal market conditions, may represent 10% to 30% of the fund's net assets. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds.

The Fund may invest in investment-grade and non-investment grade debt securities issued by issuers in GCC countries including securities in default. The fixed income securities and debt obligations purchased by the Fund may be denominated in any currency and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 20% of the Fund's net assets, subject to a maximum of 40%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- total investment return consisting of interest income, capital appreciation and currency gains by investing in debt securities of issuers located in GCC, Middle East and North Africa countries and
- invest for the medium to long term

## **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Credit risk
- Debt Securities risk
- Emerging Markets risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Credit-Linked Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Foreign Currency risk
- Liquidity risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Sukuk Investment risk
- Swap Agreements risk

## **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

## **Investment Manager(s)**

Franklin Templeton Investments (ME) Limited

## **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN GENOMIC ADVANCEMENTS FUND**

### **Asset Class**

Equity Fund

### **Base Currency**

US dollar (USD)

### **Investment Objectives**

The Fund's investment objective is capital appreciation.

### **Investment Policy**

The Fund invests principally in equity securities of companies that are relevant to the Fund's investment theme of genomic advancements. Equity securities generally entitle the holder to participate in a company's general operating results. While the Fund invests predominantly in common stocks, it could also invest in preferred stock, convertible securities and warrants on securities.

Companies relevant to the Fund's investment theme of genomic advancements are those that the Investment Manager believes are substantially focused on and/or are expected to substantially benefit from extending and enhancing the quality of human and other life (e.g., animals) by incorporating technological and scientific developments, improvements and advancements in the field of genomics into their business, such as by offering new products or services that rely on genetic engineering, gene therapy, genome analysis, DNA sequencing, synthesis or instrumentation. These companies may include those that research, develop, produce, manufacture or significantly rely on or enable bionic devices, bio-inspired computing, bioinformatics, molecular medicine and diagnostics, pharmaceuticals and agricultural applications of genomics, and related equipment, techniques and processes.

In pursuing the Fund's investment theme, the Investment Manager may invest in companies in any economic sector or of any market capitalization and may invest in companies both inside and outside of the United States, including those in developing or emerging markets. Although the Fund may invest across economic sectors, the Fund concentrates its investments in health care related industries. The Fund is a "non-diversified" fund, which means it generally invests a greater proportion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

While the Fund invests, under normal market conditions, at least 80% of its net assets in equity securities, the Fund can seek investment opportunities in other types of securities including but not limited to debt and fixed income securities (which may include all varieties of fixed and floating-rate income securities of any maturity or quality of corporate issuers worldwide), as well as up to 10% of its net assets in open and closed-end UCIs (including exchange traded funds). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- achieve capital appreciation by investing in equity securities of companies operating within health care related industries
- invest for the medium to long term

## **Risk Considerations**

The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

Principal risks to the Fund's investment policy:

- Concentration risk
- Market risk
- Thematic Investing risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Class Hedging risk
- Credit risk
- Debt Securities risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Smaller and Midsize Companies risk
- Warrants risk

## **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

## **Investment Manager(s)**

Franklin Advisers, Inc.

## **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN GLOBAL AGGREGATE BOND FUND**

### **Asset Class**

Fixed Income Fund

### **Base Currency**

US dollar (USD)

### **Investment Objectives**

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income and capital appreciation.

### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in fixed or floating-rate debt securities issued by governments, government-related entities (including supranational organisations supported by several national governments) and corporations worldwide. The Fund invests mainly in investment-grade securities, but may invest up to 30% in non-investment grade securities and may also invest in Emerging Market debt securities. The Fund may, in addition, in accordance with the investment restrictions, invest in credit-linked securities or other structured products (such as mortgage- and asset-backed securities, including collateralised debt obligations as well as collateralised loan obligations) that derive their value from an index, security or currency. The Fund may also participate in mortgage dollar roll transactions. The Fund may invest up to 10% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may also utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps and total return swaps on fixed income including loan indices), forwards and cross forwards, futures contracts, as well as options. Use of financial derivative instruments will not exceed 75% of the Fund's net assets.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities including, but not limited to, UCIs, bonds convertible into common stock, preferred stock and warrants.

### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- interest income and capital appreciation by investing in a diversified global fixed income product
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Emerging Markets risk
- Liquidity risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk
- Warrants risk

**Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 50%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL CONVERTIBLE SECURITIES FUND<sup>4</sup>****Asset Class**

Balanced Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to maximise total return, consistent with prudent investment management, by seeking to optimise capital appreciation and current income under varying market conditions.

**Investment Policy**

The Fund seeks to achieve its investment objectives by investing primarily in convertible securities (including investment grade, non-investment grade, low-rated and unrated securities) of corporate issuers globally, and common stock received upon conversion of convertible securities. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including investment grade, non-investment grade, low rated and unrated securities). The Fund may continue to hold securities subsequent to issuer default. A convertible security is generally a debt security or preferred stock that may be converted within a specified period of time into common stock of the same or a different issuer. By investing in convertible securities, the Fund seeks the opportunity to participate in the capital appreciation of underlying stocks, while at the same time relying on the fixed income aspect of the convertible securities to provide current income and reduced price volatility. The Fund may also utilise certain financial derivative instruments for currency hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, forwards and cross forwards as well as options. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund may also invest in securities or structured products (such as equity-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also invest up to 10% of its net assets in securities in default and up to 10% of its net assets in units of UCITS and other UCIs.

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<sup>4</sup> This Fund has been closed to subscriptions received from new and existing investors since December 9, 2020 and until further decision of the Board of Directors.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and current income by investing in convertible securities of corporate issuers around the world
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Convertible and Hybrid Securities risk
- Credit risk
- Debt Securities risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Counterparty risk
- Derivative Instruments risk
- Securities Lending risk
- Structured Notes risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL CORPORATE INVESTMENT GRADE BOND FUND****Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's principal investment objective is to maximise total investment return, consisting of a combination of interest income and capital appreciation.

**Investment Policy**

The Fund seeks to achieve its objective by investing principally in a diversified portfolio of fixed and floating-rate debt securities of corporate issuers globally. For the purpose of this Fund, debt securities may include bonds, notes, commercial paper, preferred securities (including trust-preferred securities), hybrid bonds, private placement securities, as well as Covered Bonds. The Fund invests mainly in investment-grade securities, but may invest up to 20% in non-investment grade securities.

The Fund may also invest in aggregate up to 20% of its net assets in structured products, such as mortgage-backed securities, asset-backed securities, commercial and residential mortgage-backed securities, collateralised debt obligations as well as collateralised loan obligations.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps and total return swaps on loans and fixed income related indices), currency forwards and cross forwards, interest rate futures and futures contracts, as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments is dependent on the price of their underlying instruments and these prices may go up or down.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities such as credit-linked securities, debt securities of non-corporate issuers (including sovereign, supranational organisations supported by several national governments), government and municipal bonds, contingent convertible securities, bonds convertible into common stock, preferred stock, common stock and other equity-linked securities. The Fund may also invest in time deposits, repurchase agreements, cash and Money Market Instruments as well as up to 10% of its net assets in open and closed-end UCIs (including exchange traded funds).

The Fund may make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.



**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 10% of the Fund's net assets, subject to a maximum of 50%.

**Exposure to repurchase and/or reverse repurchase agreements**

The expected level of exposure that could be subject to repurchase and/or reverse repurchase agreements amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- interest income and capital appreciation by investing in investment-grade debt securities of corporate issuers globally
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Floating Rate Corporate Investment risk
- Frontier Markets risk
- Political and Economic risk
- Repurchase and Reverse Repurchase Transactions risk
- Securitisation risk
- Structured Notes risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited and Franklin Templeton Institutional, LLC

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL FUNDAMENTAL STRATEGIES FUND****Asset Class**

Balanced Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to seek capital appreciation through a diversified approach. Its secondary objective is to seek income.

### **Investment Policy**

The Fund generally invests in equity securities of companies of any market capitalisation located anywhere in the world, including Emerging Markets, as well as fixed and floating-rate debt securities and debt obligations issued by government, government-related and corporate entities worldwide, as well as debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may in addition invest in low-rated and non-investment grade securities of various issuers, in fixed or floating-rate securities, either directly or through regulated investment funds (subject to the limits indicated below). The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or equity and fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities linked to assets or currencies of any country. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund will not invest more than 10% of its net assets in mortgage- and asset-backed securities.

The Fund makes an allocation of its net assets between four different investment strategies followed by independent investment management groups within or affiliated with Franklin Templeton, with the aim to maintain an equal weight to (i) two global equity strategies (representing approximately 60% of the portfolio in aggregate) and (ii) two global fixed income strategies (representing approximately 40% of the portfolio in aggregate), subject to appropriate monitoring and rebalancing. Such investment strategies are already followed broadly by Franklin Templeton in respect of certain of its registered funds.

In relation to the equity strategies, the Fund focuses on securities of companies that are leaders in innovation, take advantage of new technologies, have superior management and benefit from new industry conditions in the dynamically changing global economy, as well as on equity securities of companies located anywhere in the world, including Emerging Markets.

In relation to the fixed income strategies, the Fund focuses on fixed and floating-rate debt securities of government, government-related or corporate issuers across the world, as well as on convertible debt securities or contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets), and financial derivative instruments providing exposure to debt securities, interest rates, currencies and indices (including fixed income and commodity indices).

The Fund may invest up to 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct) and up to 10% of its net assets in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and current income by investing in a diversified portfolio of equity and debt securities worldwide and benefiting from 4 investment strategies
- invest for the medium to long term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Liquidity risk
- Multi-Manager risk
- Structured Notes risk
- Swap Agreements risk

### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton International Services S.à r.l.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., Templeton Global Advisors Limited and Brandywine Global Investment Management, LLC, which act as sub-investment managers.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL INCOME FUND****Asset Class**

Balanced Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

**Investment Policy**

The Fund invests in a diversified portfolio of debt and equity securities worldwide, including those in Emerging Markets. The Fund may shift its investments from one asset class to another based on the Investment Manager's analysis of the best opportunities in a given market or sector taking into account both bottom-up fundamental security analysis and top-down considerations such as interest rates, inflation, commodity prices, credit cycle and other macro-economic factors.

Equity securities generally entitle the holder to participate in a company's general operating results. In its search for growth opportunities, the Fund invests in common stocks of companies from a variety of industries such as utilities, oil, gas, real estate and consumer goods, but from time to time, based on economic conditions, the Fund may have significant investments in particular sectors. Equity securities also include preferred stocks, REITs, equity-linked notes and equity securities resulting from the conversion of debt securities.

Debt securities represent an obligation of the issuer to repay a loan of money, and generally provide for the payment of interest. These include long and short-term, fixed and floating rate debt securities, secured and unsecured bonds, mortgage and other asset-backed securities (limited to 10% of the Fund's net assets, including collateralised mortgage obligations as well as residential and commercial mortgage-backed securities), bonds convertible into common stock, notes and debentures.

The Fund seeks income by selecting investments such as corporate, US Treasury and non-US government bonds, stocks with attractive dividend yields, as well as structured notes linked to individual securities or indexes. The Fund may invest up to 100% of its net assets in below investment grade debt securities (also known as "junk bonds"). The Fund may also invest up to 20% of its net assets in distressed debt securities (i.e. (i) which are rated CCC or below by at least two ratings agencies, or if unrated their equivalent, and (ii) with a credit spread above 1,000 bps). For the purpose of the Fund's investment policy, distressed securities should be construed as (i) including defaulting debt securities and (ii) securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. Investments in defaulted debt securities would not exceed 10% of the Fund's net assets. Generally, lower rated securities offer higher yields than more highly rated securities to compensate investors for the higher risk. Further information is contained in the section "Risk Considerations".

The Investment Manager searches for undervalued or out-of-favour securities it believes offer opportunities for income today and significant growth tomorrow. It performs independent analysis of the securities being considered for the Fund's portfolio, rather than relying principally on the ratings assigned by rating agencies. In its analysis, the Investment Manager considers a variety of factors, including:

- the experience and managerial strength of the company;
- responsiveness to changes in interests and business conditions;
- debt maturity schedules and borrowing requirements;
- the company's price/earnings ratio, profit margins and liquidation value;
- the company's changing financial condition and market recognition of the change; and
- a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments could include but are not limited to swaps (such as total return swaps on fixed income, equity and equity-related securities and indices of the same, credit default swaps and interest rate swaps), forwards, futures contracts as well as options. In this context, the Fund may seek exposure to, inter alia, commodities, financial indices and other eligible instruments through the use of financial derivative instruments, cash-settled structured products (including participatory notes) or fixed income securities where the security is linked to or derives its value from another reference asset.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs (including ETFs). The Investment Manager may take a temporary defensive position when it believes the markets or the economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may be unable to pursue its investment objective.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high level of income and prospects of some capital appreciation by accessing a portfolio of both equity and fixed income securities worldwide via a single fund
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Distressed Securities risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Real Assets risk
- Securities Lending risk
- Swap Agreements risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL MANAGED INCOME FUND****Asset Class**

Multi-Asset Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund seeks to generate sustainable, above average income while maintaining prospects for capital appreciation.

**Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, cash and equivalents, collective investment schemes and indirect exposure to alternative investments (including but not limited to commodities and property).

The Fund invests directly and indirectly in equity securities of companies of any market capitalisation located anywhere in the world, including Emerging Markets. Under normal market conditions, the Fund would expect to hold between 40% and 60% net long exposure to equities or equity-related securities. Exposure to assets classes such as equities will be determined on a net basis, taking the combined value of long and short exposures across all equity markets.

The Fund also invests in fixed and floating-rate debt securities issued by government, government-related and/or corporate entities (including financial entities) worldwide as well as debt obligations issued by supranational entities organised or supported by several national governments.

The Fund may purchase mortgage- and asset-backed securities, including collateralised debt obligations. It may invest in low-rated, non-investment grade and distressed debt securities of various issuers, both fixed rate or floating-rate, either directly or through regulated investment funds (subject to the limits indicated below). Under normal market conditions, the Fund does not intend to invest more than 20% of net assets in debt securities rated below investment grade, including both corporate and government securities. However, due for example to a prolonged

general decline or other adverse market conditions, the Fund may invest up to 20% of its net assets in distressed debt securities (i.e. (i) which are rated CCC or below by at least two ratings agencies, or if unrated their equivalent, and (ii) with a credit spread above 1,000 bps). For the purpose of the Fund's investment policy, distressed securities should be construed as (i) including defaulting debt securities and (ii) securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. Investments in defaulted debt securities would not exceed 5% of the Fund's net assets. The Fund may also invest up to 10% net long exposure, in "alternative" asset classes such as real estate, infrastructure and commodities.

Exposure to certain asset classes, such as commodities, infrastructure and property, may be achieved through eligible derivative instruments linked to an appropriate index.

The Fund may use financial derivative instruments for hedging, efficient portfolio management as well as investment purposes. These financial derivative instruments include but are not limited to swaps (including but not limited to credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options, both exchange traded and/or over the counter (including but not limited to covered calls). The Fund may also invest in securities or structured products (such as Sukuk, warrants, equity-linked securities, collateralised debt obligation including collateralised loan obligations) where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes which the Fund may invest into may be those managed by Franklin Templeton Investments entities' as well as those managed by other asset managers. The Fund may invest only up to 10% of its net assets in units of UCITS and other UCIs (including ETFs) and up to 15% of its net assets in mortgage- and asset-backed securities.

The Fund intends to be managed with half the volatility of global equity markets (based on the MSCI All Country World Index) over a rolling five-year period. The Fund is actively managed. Although the Investment Manager is constrained by the Benchmark for volatility measurement purposes, the Fund is not obliged to hold any of the Benchmark constituents and may indeed invest up to 100% of its net assets outside the Benchmark.

The Fund intends to have at least 50% of the annual distribution deriving from the income generated by its portfolio.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 150%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- generate income by investing in a diversified portfolio of equity and debt securities worldwide
- invest in a risk-managed portfolio that maintains prospects for capital appreciation

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit Risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Multi-Manager risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Participatory Notes risk
- Real Assets risk
- Restructuring Companies risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk

**Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 450%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Templeton International Services S.à r.l.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL MULTI-ASSET INCOME FUND****Asset Class**

Multi-Asset Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's investment objective is to achieve a level of total return consisting of income and capital appreciation, allowing it to support a steady level of annual distribution. There is no guarantee that the Fund will achieve its objective.

**Investment Policy**

The Fund intends to achieve its objective by actively managing direct and indirect exposure to equities, fixed income securities, cash and equivalents, collective investment schemes and indirect exposure to alternative investments (including but not limited to commodities and property).

The Fund invests directly and indirectly in equity securities of companies of any market capitalisation located anywhere in the world, including Emerging Markets.

The Fund also invests in fixed and floating-rate debt securities issued by government, government-related and corporate entities worldwide as well as debt obligations issued by supranational entities organised or supported by several national governments.

The Fund may purchase mortgage- and asset-backed securities, including collateralised debt obligations. It may invest in low-rated, non-investment grade, defaulted debt and distressed debt securities of various issuers, both fixed rate or floating-rate, including convertible or, up to 5% of its net assets in contingent convertible securities, either directly or through regulated investment funds (subject to the limits indicated below).

The Fund may invest in securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions.

Exposure to certain asset classes, such as commodities and property, may be achieved through eligible derivative instruments linked to an appropriate index.

The Fund may use financial derivative instruments for hedging, efficient portfolio management as well as investment purposes. These financial derivative instruments include but are not limited to swaps (including but not limited to credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), forwards, futures contracts (including futures on equity indices and on government securities), as well as options, both exchange traded and over the counter (including but not limited to covered calls). The Fund may also invest in securities or structured products (such as Sukuk, equity-linked securities, collateralised debt obligation including collateralised loan obligations) where the security is linked to or derives its value from another security, index or currencies of any country.

Collective investment schemes which the Fund may invest into may be those managed by Franklin Templeton entities' as well as those managed by other asset managers. The Fund may invest only up to 10% of its net assets into units of UCITS and other UCIs.

The Fund intends to be managed with half the volatility of global equity markets (based on the MSCI All Country World Index in the Fund's base currency).

The Fund intends to have at least 50% of the annual distribution deriving from the income generated by its portfolio. The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 70% of the Fund's net assets, subject to a maximum of 120%.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and income by investing in a diversified portfolio of equity and debt securities worldwide
- invest for the medium to long-term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Multi-Manager risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Floating Rate Corporate Investment risk
- Liquidity risk
- Participatory Notes risk
- Real Assets risk
- Restructuring Companies risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk

### **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 300%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

### **Investment Manager(s)**

Franklin Templeton International Services S.à r.l.

The Fund aims to achieve its investment objectives through the careful selection of one or more investment co-manager(s) (the "Investment Co-Manager(s)") by the Investment Manager (Franklin Templeton International Services S.à r.l.). Such Investment Co-Manager(s) shall be part of Franklin Templeton. The Investment Manager may also take part in managing the assets of the Fund in addition to selecting and allocating to Investment Co-Manager(s).

The Investment Manager will be responsible for the selection and appointment of one or more Investment Co-Manager(s) in respect of the Fund to delegate all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund. The Investment Manager is responsible for monitoring the Fund's overall investment performance and for re-balancing the Fund's portfolio allocation. The Investment Manager shall allocate the assets of the Fund between the Investment Co-Manager(s) in such proportions as it shall, at its discretion, determine suitable to achieve the Fund's objective, which allocation may change over time.

The Investment Manager will monitor the performance of the Investment Co-Manager(s) in respect of the Fund in order to assess the need, if any, to make changes/replacements. The Investment Manager may appoint or replace Investment Co-Manager(s) in respect of the Fund at any time in accordance with any applicable regulations or notice periods.

The Investment Manager is responsible for the selection of the Investment Co-Manager(s), the monitoring of the performance of the Investment Co-Manager(s) and the monitoring of the risk management framework implemented at the level of each Investment Co-Manager. The Investment Co-Manager(s) may be replaced without prior notice to the Shareholders. The list of the Investment Co-Manager(s) having acted for the Fund during the period under review is available on the Internet site: [www.franklintempleton.lu](http://www.franklintempleton.lu) and/or in the semi-annual and annual reports of the Company. The list of Investment Co-Manager(s) effectively managing the Fund shall be made available upon request and free of charge at the registered office of the Company.

The Investment Co-Manager(s) may seek advice from other investment advisory companies affiliated to Franklin Templeton. The Investment Co-Manager(s) will be remunerated by the Investment Manager out of the investment management fee received from the Management Company.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN GLOBAL REAL ESTATE FUND****Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to maximise total investment return consisting of income and capital appreciation.

**Investment Policy**

The Investment Manager seeks to achieve its investment objective by investing in real estate investment trusts ("Real Estate Investment Trusts" or "REITs") and other real estate and real estate-related companies (including small to mid-sized companies) whose principal business is financing, dealing, holding, developing and managing real estate and which are located around the world, including Emerging Markets. "REITs" are companies the shares of which are listed on a stock exchange, which invest a significant portion of their net assets directly in real estate and which profit from a special and favourable tax regime. These investments of the Fund shall qualify as transferable securities. The Fund seeks to invest in companies across a wide range of real estate sectors and countries.

The Fund may also utilise various financial derivative instruments for currency hedging and efficient portfolio management (such as but not limited to currency forwards and cross forwards, interest rate futures and swaps as well as options).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- dividend income and capital appreciation by investing in companies across a wide range of real estate sectors and countries
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Foreign Currency risk
- Concentration risk
- Liquidity risk
- Market risk
- Real Assets risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Securities Lending risk
- Smaller and Midsized Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Institutional, LLC

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.



## FRANKLIN GOLD AND PRECIOUS METALS FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's principal investment objective is capital appreciation. Its secondary objective is income.

### Investment Policy

Under normal market conditions, the Fund invests principally its net assets in securities issued by gold and precious metals operation companies. Gold and precious metals operation companies include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum and palladium, including mining finance and exploration companies as well as operating companies with long-, medium-, or short-life mines.

The Fund principally invests in equity and equity-related securities such as common stocks, preferred stocks, warrants and convertible securities issued by gold and precious metals operation companies located anywhere in the world (including Emerging Markets) and across the entire market capitalisation spectrum, including small-cap and medium-cap companies, as well as in American, Global and European Depositary Receipts.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in securities of gold and precious metals operation companies around the world
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Commodities Related Exposure risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Securities Lending risk
- Smaller and Midsize Companies risk
- Warrants risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN HIGH YIELD FUND

### Asset Class

Fixed Income Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

**Investment Policy**

The Fund seeks to achieve these objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed income debt securities of US or non-US issuers. The Fund will have an allocation to fixed income securities of at least 75%. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts either dealt on Regulated Markets or over-the-counter. The Fund normally invests in fixed income debt securities of any credit ratings (including non-investment grade securities), if issued by US issuers, or, if issued by non-US issuers or unrated, their equivalent. The Investment Manager attempts to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily or on an ancillary basis, seek investment opportunities in any other types of securities such as government securities, preferred stock, common stock and other equity-linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its net assets in credit-linked securities, which the Investment Manager may use as a means to invest more rapidly and efficiently in certain segments of the high-yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its net assets in securities in default.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- earn a high level of income, and to a lesser extent, some capital appreciation by investing in high-yield fixed income securities of US and non-US issuers
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Floating Rate Corporate Investment risk
- Foreign Currency risk
- Restructuring Companies risk
- Securities Lending risk
- Swap Agreements risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN INCOME FUND****Asset Class**

Balanced Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

### **Investment Policy**

The Fund invests in a diversified portfolio of transferable securities consisting of equity securities and long- and short-term debt securities. Equity securities generally entitle the holder to participate in a company's general operating results. These include common stocks, preferred stocks, convertible securities and equity-linked notes. Debt securities represent an obligation of the issuer to repay a loan of money to it, and generally provide for the payment of interest. These include bonds, notes and debentures.

In its search for growth opportunities, the Fund invests in common stocks of companies from a variety of industries such as utilities, oil, gas, real estate and consumer goods. The Fund seeks income by selecting investments such as corporate, foreign and US Treasury bonds, as well as stocks with attractive dividend yields. The Fund may invest in debt securities that are rated below investment grade. Investment-grade debt securities are rated in the top four ratings categories by independent rating organisations such as Standard & Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's"). The Fund generally invests in securities rated at least CAA by Moody's or CCC by S&P or unrated securities that the Investment Manager determines are of comparable quality. Generally, lower rated securities offer higher yields than more highly rated securities to compensate investors for the higher risk. Further information is contained in the section "Risk Considerations".

The Fund may invest up to 25% of its net invested assets in non-US securities. It ordinarily buys non-US securities that are traded in the US or American Depository Receipts, which are certificates typically issued by a bank or trust company that give their holders the right to receive securities issued by a US or a non-US company.

The Investment Manager searches for undervalued or out-of-favour securities it believes offer opportunities for income today and significant growth tomorrow. It performs independent analysis of the securities being considered for the Fund's portfolio, rather than relying principally on the ratings assigned by rating agencies. In its analysis, the Investment Manager considers a variety of factors, including:

- the experience and managerial strength of the company;
- responsiveness to changes in interests and business conditions;
- debt maturity schedules and borrowing requirements;
- the company's changing financial condition and market recognition of the change; and
- a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments could include but are not limited to swaps (such as fixed income related and equity related total return swaps), forwards, futures contracts as well as options. In this context, the Fund may seek exposure to, inter alia, commodities or ETFs through the use of financial derivative instruments, cash-settled structured products or fixed income securities where the security is linked to or derives its value from another reference asset.

The Investment Manager may take a temporary defensive position when it believes the markets or the economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may be unable to pursue its investment objective.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high level of income and prospects of some capital appreciation by accessing a portfolio of both equity and fixed income securities via a single fund
- invest for the medium to long term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Dividend Policy risk
- Foreign Currency risk
- Liquidity risk
- Securities Lending risk
- Securitisation risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN INDIA FUND****Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund invests principally in equity securities including common stock, preferred stock and convertible securities, as well as in warrants, participatory notes, and depository receipts of (i) companies registered in India, (ii) companies which perform a predominant part of their business in India, and (iii) holding companies which hold a predominant part of their participations in companies referred to in (i) and (ii), all of them across the entire market capitalisation spectrum from small-to large-cap companies.

In addition the Fund may seek investment opportunities in fixed income securities issued by any of the above-mentioned entities as well as Money Market Instruments.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of companies located in India
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Participatory Notes risk
- Smaller and Midsize Companies risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN INFLATION PROTECTED FUND****Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's principal investment objective is to seek total return that exceeds the rate of inflation over an economic cycle by investing primarily in inflation-protected securities as well as other debt securities on an opportunistic basis.

**Investment Policy**

The Fund invests principally in a diversified portfolio of treasury inflation protected securities, also known as TIPS of different quality or maturity as well as debt securities issued by government, government-related entities and/or corporate issuers, including high yield ("junk") bonds and structured products such as credit linked and inflation/index linked securities and private placement, of any maturity or credit rating category (including investment grade, non-investment grade, low-rated and/or unrated securities).

The Fund may also invest in mortgage-backed securities (including commercial and residential mortgage as well as collateralised mortgage obligations), asset-backed securities (backed by debt, loans, leases or receivables), collateralised debt obligations (including collateralised loan obligations), and credit-linked or index-linked (including inflation-linked) securities that derive their value from an underlying asset or index. Investments in mortgage- and asset-backed securities will not exceed 20% of the Fund's net assets.

The Fund uses various financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default, interest rate and inflation linked swaps or fixed income related total return swaps), forwards (including currency forwards), futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit.

The Fund may also, temporarily and/or on an ancillary basis, hold distressed debt securities (securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy), and invest in convertible securities or contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets). Investments in defaulted debt securities would, under normal market conditions, typically represent no more than 5% of the Fund's net assets.

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income and capital appreciation by investing in wide range of fixed income securities and financial derivative instruments
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit Risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Inflation-Indexed Securities risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Floating Rate Corporate Investment risk
- Liquidity risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

**Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 200% or below. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## FRANKLIN INNOVATION FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund invests principally in equity securities of companies that are leaders in innovation, take advantage of new technologies, have superior management and benefit from new industry conditions in the dynamically changing global economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities. Investments in convertible securities will not exceed 10% of the Fund's total net assets. The Fund can invest in companies located anywhere in the world, but may have a substantial part of its portfolio invested in companies located or traded in the US, as well as in foreign securities that are traded in the US and American Depository Receipts.

The Fund invests in companies in any economic sector and of any market capitalisation. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research to seek companies meeting its criteria of sustainable growth driven by innovation. Although the Investment Manager searches for investments across a large number of sectors, the Fund may have significant positions in particular sectors such as, for example, information technology (including software and internet), communications services and health care (including biotechnology). Due to market appreciation, the Fund's investment in a given sector or industry may represent a significant portion of the Fund's portfolio.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 100% of the Fund's assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include short-term US government securities, high-grade commercial paper, bank obligations, Money Market Fund shares (including shares of an affiliated Money Market Fund) and other Money Market Instruments. The Fund may also invest up to 5% of its net assets in units of UCI such as UCITS, Exchange Traded Funds ("ETF") as well as other UCIs.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- achieve capital appreciation by investing in equity securities of companies whose growth prospects are poised to benefit from dynamic technology and innovation
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Securities Lending Risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN INTELLIGENT MACHINES FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund invests principally in equity securities of companies that are relevant to the Fund's investment theme of intelligent machines. Equity securities generally entitle the holder to participate in a company's general operating results. While the Fund invests predominantly in common stocks, it could also invest in preferred stock, convertible securities and warrants on securities.

Companies relevant to the Fund's investment theme of intelligent machines are those that the Investment Manager believes are substantially focused on and/or are expected to substantially benefit from the ongoing technology-driven transformation of products, software, systems and machinery as well as product design, manufacture, logistics, distribution and maintenance, including through developments in artificial intelligence. These companies may include those that develop, produce, manufacture, design, maintain and deliver products or services with new capabilities previously unavailable in the marketplace.

The Fund's investment theme of intelligent machines is intended to capture companies that the Investment Manager believes represent the next phase of technological evolution, including companies that provide new systems, logistics solutions, methods, processes, products or services based on physical applications of new technologies and technological innovation. Such companies include those the Investment Manager believes are well-positioned to benefit from intelligent design (e.g., simulation software and computer-aided design or "CAD" software), intelligent production (e.g., advancements in manufacturing or factory automation capabilities), intelligent products (e.g., robotic-assisted technologies, tools and services) and intelligent predictive maintenance (e.g., industrial software solutions and services).

In pursuing the Fund's investment theme, the Investment Manager may invest in companies in any economic sector or of any market capitalization and may invest in companies both inside and outside of the United States, including those in developing or emerging markets. Although the Fund may invest across economic sectors, it expects to have significant positions in particular sectors including technology. The Fund is a "non-diversified" fund, which means it generally invests a greater proportion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

While the Fund invests, under normal market conditions, at least 80% of its net assets in equity securities, the Fund can seek investment opportunities in other types of securities including but not limited to debt and fixed income securities (which may include all varieties of fixed and floating-rate income securities of any maturity or quality of corporate issuers worldwide), as well as up to 10% of its net assets in open and closed-end UCIs (including exchange traded funds). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- achieve capital appreciation by investing in equity securities of companies in the technology sector
- invest for the medium to long term

**Risk Considerations**

The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

Principal risks to the Fund's investment policy:

- Concentration risk
- Market risk
- Thematic Investing risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Class Hedging risk
- Credit risk
- Debt Securities risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Smaller and Midsize Companies risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## FRANKLIN JAPAN FUND

### Asset Class

Equity Fund

### Base Currency

Japanese yen (JPY)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund seeks to achieve its objective through a policy of investing primarily in equity securities of issuers incorporated or having their principal business activities in Japan.

In addition, the Fund may also seek investment opportunities in other types of securities such as preferred stocks, securities convertible into common stocks, and corporate and government debt obligations which are Japanese yen and non- Japanese yen denominated.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in a growth-style investment concentrated in Japanese equity securities
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Securities Lending risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)<sup>5</sup>

Edinburgh Partners Limited, Templeton Asset Management Ltd and Franklin Templeton Investments (Asia) Limited

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN K2 ALTERNATIVE STRATEGIES FUND

### Asset Class

Alternative Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is to seek capital appreciation with lower volatility relative to the broad equity markets.

### Investment Policy

The Fund seeks to achieve its investment objective by allocating its net assets across multiple non-traditional or "alternative" strategies, including but not limited to, some or all of the following strategies: Long Short Equity, Relative Value, Event Driven and Global Macro, each of which are described as follows:

- *Long Short Equity Strategies* – Long Short Equity Strategies generally seek to produce returns from investments in the global equity markets by taking long and short positions in stocks and common stock indices. These strategies are generally focused on risk-adjusted returns and capitalise on the Investment Co-Managers' views and outlooks for specific equity markets, regions, sectors and securities. Examples of long short equity strategies include (i) growth focused strategies, (ii) value focused strategies, (iii) market-neutral strategies (e.g., maintaining net exposures between 20% short and 20% long), (iv) sector-focused strategies (e.g., technology, healthcare, financials) and (v) regionally focused strategies (e.g., Europe, Asia).

<sup>5</sup> As from October 1, 2021, Edinburgh Partners Limited will be removed from the management structure of the Fund.



- *Relative Value Strategies* – Relative Value Strategies encompass a wide range of investment techniques that are intended to profit from pricing inefficiencies. These strategies generally involve taking a position in one financial instrument and simultaneously taking an offsetting position in a related instrument in an attempt to profit from incremental changes in the price differential. Examples of relative value strategies are: (i) credit long short strategies; (ii) credit arbitrage; (iii) convertible arbitrage; and (iv) volatility arbitrage.
- *Event Driven Strategies* – Event Driven Strategies generally imply investment in securities of companies undergoing corporate events. These strategies are generally focused on analysing the impact of the company-specific or transaction-specific event on security valuations. Examples of such company-specific or transaction-specific events include mergers, acquisitions, transfers of assets, tender offers, exchange offers, recapitalisations, liquidations, divestitures, spin-offs, equity restructurings and reorganisations.
- *Global Macro Strategies* – Global Macro Strategies generally focus on macro-economic (economy-wide phenomena such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and price levels) opportunities across numerous markets and investments. Investments may be long or short and are based on the relative value or direction of a market, a currency, an interest rate, a commodity or any macroeconomic variable. Examples of Global Macro Strategies include discretionary (seeking to profit by tactically investing across different asset classes, markets, and investment opportunities through a combination of fundamental market analysis and quantitative modeling) and systematic (seeking to profit by utilising quantitative models to identify investment opportunities across different asset classes and markets in order to construct a portfolio of investments) macro strategies. Systematic would also include certain risk premia strategies designed to harvest persistent behavioral and structural anomalies, which offer returns that are uncorrelated to traditional asset classes.

The Fund intends to invest in a wide range of transferable securities, financial derivative instruments and other eligible securities. Such securities may include, but are not limited to, equity and equity-related securities (which may include common stocks, preferred stocks, participatory notes, equity related certificates and convertible securities) and debt securities (which may include bonds, notes, debentures, bankers' acceptances and commercial paper).

The Fund invests in equity and equity-related securities of companies located anywhere and of any capitalisation size. Debt securities which may be acquired by the Fund shall include all varieties of fixed and floating-rate income securities of any maturity or credit rating (including investment grade, non-investment grade, low-rated, unrated securities and securities in default) of corporate and sovereign issuers worldwide, and may include, inter alia, high yield ("junk") bonds and distressed debt securities (securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy). The Fund may engage in active and frequent trading as part of its investment strategies.

The Fund utilises financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, (i) futures contracts, including futures based on equity or fixed income securities and indices, interest rate futures and currency futures and options thereon; (ii) swaps, including equity, currency, interest rate, total return swaps related to equity, fixed income and commodities as well as credit default swaps and options thereon; (iii) options, including call options and put options on indices, individual securities or currencies; and (iv) currency forward contracts. Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency. Use of financial derivative instruments such as interest rate futures and total return swaps on commodity indices may also contribute to a material increase in the level of leverage of the Fund, as further detailed in section "Global Exposure" below.

The Fund may take long and synthetic short positions in a wide range of asset classes, including equities, fixed income and currencies, among others. Long positions benefit from an increase in the price of the underlying instrument or asset class, while short positions benefit from a decrease in that price. Exposure to synthetic short positions shall be effected through the use of financial derivative instruments.

The Fund may also seek exposure to commodities through the use of cash-settled structured products or exchange-traded notes (such as participatory notes) on commodities or financial derivative instruments on commodity indices.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its net assets in bank loans that qualify as Money Market Instruments.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities (including collateralised debt obligations) and invest in securities or structured products (such as commercial mortgage-backed securities and collateralised mortgage obligations) where the security is linked to or derives its value from another reference asset.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (funded and unfunded) amounts to 36% of the Fund's net assets, subject to a maximum of 205%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in a wide range of eligible securities and financial derivative instruments benefiting from several "alternative" strategies
- invest for the medium to long term

## **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Foreign Currency risk
- Debt Securities risk
- Derivative Instruments risk
- Multi-Manager risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Floating Rate Corporate Investment risk
- Hedged Strategies risk
- Liquidity risk
- Model risk
- Performance Fee risk
- Portfolio Turnover risk
- Restructuring Companies risk
- Securities Lending risk
- Securitisation risk
- Smaller and Midsize Companies risk
- Structured Notes risk
- Substantial Leverage risk
- Swap Agreements risk

## **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund, calculated using the sum of notionals methodology, could amount to 450%, which is due to the use of financial derivative instruments with higher notional values. The level of leverage largely reflects the fact that the Fund may hold at any given time large positions in shorter and mid-term (3 months, 2 years and 5 years) sovereign debt futures (e.g., futures on denominations of U.S. Treasury debt), because the volatility of these contracts is considerably lower than that of longer term (10 years) futures contract on the same sovereign debt security (e.g., a U.S. Treasury 10 years note). The sum of notionals methodology also does not allow for the netting of financial derivative positions which can include hedging transactions and other risk mitigating strategies involving the use of financial derivative instruments. As a result, financial derivative instruments roll overs and strategies relying on a combination of long and short positions may contribute to a large increase in the level of leverage whereas they may not increase or cause only a moderate increase of the overall risk of the Fund which is monitored and limited according to the UCITS regulation.

The Expected Level of Leverage is an estimated upper range and may be subject to higher leverage levels. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

## **Investment Manager(s)**

K2/D&S Management Co., L.L.C.

The Fund aims to achieve its investment objectives through the selection of various investment co-managers (the "Investment Co-Managers") by the Investment Manager (K2/D&S Management Co., L.L.C.). Generally, such Investment Co-Managers, each of which uses an alternative investment strategy to invest its portion, may not be affiliated with Franklin Templeton. The Investment Manager may also take part in managing the assets of the Fund in addition to selecting and allocating to Investment Co-Managers. The Fund's overall performance will be the result of the performance of the different strategies involved and the portion of the Fund's net assets assigned to such strategies.

The Investment Manager will be responsible for the selection and appointment of the Investment Co-Managers in respect of the Fund to delegate all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund. The Investment Manager shall allocate the assets of the Fund between the Investment Co-Managers in such proportions as it shall, at its discretion, determine suitable to achieve the Fund's objective.

The Investment Manager will further be responsible for the monitoring of the risk management framework implemented at the level of each Investment Co-Manager. The Investment Manager will also monitor the performance of the Investment Co-Managers in respect of the Fund in order to assess the need, if any, to make changes/replacements. The Investment Manager may appoint or replace Investment Co-Managers in respect of the Fund at any time in accordance with any applicable regulations or notice periods.

The Investment Co-Managers may be replaced without prior notice to the Shareholders. The list of the Investment Co-Managers having acted for the Fund during the period under review is available on the Internet site: [www.franklintempleton.lu](http://www.franklintempleton.lu) and/or in the semi-annual and annual reports of the Company. The list of Investment Co-Managers effectively managing the Fund shall be made available upon request and free of charge at the registered office of the Company.

The Investment Co-Managers will be remunerated by the Investment Manager out of the investment management fee received from the Management Company.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN MENA FUND****Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's principal investment objective is to provide long-term capital appreciation.

**Investment Policy**

The Fund invests primarily in transferable securities such as equity securities of companies (i) incorporated in the Middle East and North Africa countries ("MENA countries") including, but not limited to the Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan and Morocco, or (ii) which have their principal business activities in MENA countries across the entire market capitalisation spectrum (including small to mid-sized companies) as well as in financial derivative instruments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts and equity-linked notes (including participatory notes) either dealt on Regulated Markets or over-the-counter.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may invest in participatory notes and other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in securities of companies in the Middle East and North African region
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Frontier Markets risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Securities Lending risk
- Smaller and Midsize Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investments (ME) Limited.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN MUTUAL EUROPEAN FUND****Asset Class**

Equity Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's principal investment objective is capital appreciation, which may occasionally be short term. Its secondary objective is income.

#### **Investment Policy**

The Fund principally invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stock of companies incorporated or having their principal activities in European countries that the Investment Manager believes are available at prices less than their actual value based on certain recognised or objective criteria (intrinsic value). These include common stocks, preferred stocks and convertible securities. Under normal market conditions, the Fund invests its net assets predominantly in the securities of issuers organised under the laws of or whose principal business operations are located in European countries. For purposes of the Fund's investments, European countries means all of the countries that are members of the European Union, Eastern and Western Europe and those regions of Russia and the former Soviet Union that are considered part of Europe. The Fund currently intends to invest principally in securities of issuers in Western Europe. The Fund normally invests in securities from at least five different countries, although, from time to time, it may invest all of its net assets in a single country. The Fund may invest up to 10% of its net assets in securities of non-European issuers.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring, including low-rated and non-investment grade securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation, which may occasionally be short term and to a lesser extent income by investing in undervalued companies of any European country
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Derivative Instruments risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Distressed Securities risk
- Restructuring Companies risk
- Russian and Eastern European Markets risk
- Securities Lending risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Mutual Advisers, LLC

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund pursues its objective principally through investments in common stock, preferred stock and debt securities convertible or expected to be convertible into common or preferred stock of companies of any nation as well as in sovereign debts and participations in foreign government debts that the Investment Manager believes are available at market prices less than their value based on certain recognised or objective criteria (intrinsic value). The Fund primarily invests in mid- and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring, including low-rated and non-investment grade securities.

The Investment Manager may take a temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility, a prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in undervalued companies worldwide
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Liquidity risk
- Restructuring Companies risk
- Securities Lending risk
- Swap Agreements risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Mutual Advisers, LLC

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN MUTUAL U.S. VALUE FUND<sup>6</sup>

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's primary investment objective is capital appreciation. A secondary objective is income.

### Investment Policy

The Fund pursues its objectives principally through investments in common stock, preferred stock, and debt securities convertible or expected to be convertible into common or preferred stock of US companies. At least 70% of the Fund's net assets will be invested in securities of US issuers. The opinions of the Investment Manager are based upon analysis and research, taking into account, among other factors, the relationship of book value (after taking into account accounting differences among countries) to market value, cash flow, multiple of earnings of comparable securities, creditworthiness of issuers, as well as the value of collateral securing a debt obligation, with the objective of purchasing equity and debt securities at below their intrinsic value.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring, including low-rated and non-investment grade securities.

The Investment Manager may take a temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging and efficient portfolio management. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and to a lesser extent income by investing in undervalued companies based primarily in the US
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Liquidity risk
- Restructuring Companies risk
- Securities Lending risk
- Swap Agreements risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Mutual Advisers, LLC

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

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<sup>6</sup> Previously named Franklin Mutual Beacon Fund

## FRANKLIN NATURAL RESOURCES FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation and current income.

### Investment Policy

The Fund invests primarily in equity securities as well as depositary receipts of (i) companies which perform a substantial part of their business in the natural resources sector, and (ii) companies which hold a substantial part of their participations in companies referred to in (i), including small and mid-sized companies. For the Fund's investment purpose, the natural resources sector includes companies that own, produce, refine, process, transport and market natural resources and companies that provide related services. This sector may include, for example, the following industries: integrated oil, oil and gas exploration and production, energy services and technology, alternative energy sources and environmental services, forest products, farming products, paper products and chemicals. On an ancillary basis, the Fund may also invest in equity or debt securities of any type of US or non-US issuer. The Fund expects to invest its net assets more in US securities than in securities of any other single country (including Emerging Markets).

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high total return in USD by investing in equity and debt securities in the natural resources sector
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Commodities Related Exposure risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Securities Lending risk
- Smaller and Midsize Companies risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## FRANKLIN NEXTSTEP BALANCED GROWTH FUND

### Asset Class

Multi-Asset Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

### Investment Policy

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including in emerging

markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 45% to 65% for equities and equity-related securities globally, 35% to 55% for fixed or floating-rate debt securities, and 0% to 10% for alternative strategies including REITs. These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a moderate level of risk
- Invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Investments (Asia) Limited

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

#### **Important information for Investors**

Shares of this Fund are exclusively offered to selected Distributors by invitation only based on specific agreement with the Management Company. Shares of this Fund are made available to Investors subscribing into the Fund through such Distributors only. Please contact the Company or the Management Company for additional information.

### **FRANKLIN NEXTSTEP CONSERVATIVE FUND**

#### **Asset Class**

Multi-Asset Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.



**Investment Policy**

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including in emerging markets. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 10% to 30% for equities and equity-related securities globally and 70% to 90% for fixed or floating-rate debt securities. These asset allocations may move out of these ranges or the ranges themselves may change from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a low to moderate level of risk
- Invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Restructuring Companies risk
- Smaller and Midsized Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc. and Franklin Templeton International Services S.à r.l.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**Important information for Investors**

Shares of this Fund are exclusively offered to selected Distributors by invitation only based on specific agreement with the Management Company. Shares of this Fund are made available to Investors subscribing into the Fund through such Distributors only. Please contact the Company or the Management Company for additional information.

**FRANKLIN NEXTSTEP DYNAMIC GROWTH FUND****Asset Class**

Multi-Asset Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

**Investment Policy**

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 60% to 80% for equities and equity-related securities globally, 20% to 40% for fixed or floating-rate debt securities, and 0% to 10% for alternative strategies including REITs. These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a higher level of risk
- Invest for the long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investments (Asia) Limited

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**Important information for Investors**

Shares of this Fund are exclusively offered to selected Distributors by invitation only based on specific agreement with the Management Company. Shares of this Fund are made available to Investors subscribing into the Fund through such Distributors only. Please contact the Company or the Management Company for additional information.

## FRANKLIN NEXTSTEP GROWTH FUND

### Asset Class

Multi-Asset Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

### Investment Policy

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including in emerging markets. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 60% to 80% for equities and equity-related securities globally, 20% to 40% for fixed or floating-rate debt securities, and 0% to 10% for alternative strategies including commodities or real estate (typically through units in other open- and closed-end UCIs, including exchange traded funds). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a higher level of risk
- Invest for the long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Real Assets risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Franklin Advisers, Inc. and Franklin Templeton International Services S.à r.l.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

**Important information for Investors**

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**FRANKLIN NEXTSTEP MODERATE FUND****Asset Class**

Multi-Asset Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

**Investment Policy**

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including in emerging markets. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 45% to 65% for equities and equity-related securities globally, 35% to 55% for fixed or floating-rate debt securities, and 0% to 5% for alternative strategies including commodities or real estate (typically through units in other open- and closed-end UCIs, including exchange traded funds). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a moderate level of risk
- Invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Commodities Related Exposure risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Real Assets risk
- Restructuring Companies risk
- Smaller and Midsized Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc. and Franklin Templeton International Services S.à r.l.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**Important information for Investors**

Shares of this Fund are exclusively offered to selected Distributors by invitation only based on specific agreement with the Management Company. Shares of this Fund are made available to Investors subscribing into the Fund through such Distributors only. Please contact the Company or the Management Company for additional information.

**FRANKLIN NEXTSTEP STABLE GROWTH FUND****Asset Class**

Multi-Asset Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

**Investment Policy**

The Fund intends to achieve its objective by investing its net assets principally in units of UCITS and other open and closed-end UCIs (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.

The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 10% to 30% for equities and equity-related securities globally and 70% to 90% for fixed or floating-rate debt securities. These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a high level of long-term total return that is consistent with a low to moderate level of risk
- Invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Underlying Investment Funds risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investments (Asia) Limited

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Advisers, Inc., which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**Important information for Investors**

Shares of this Fund are exclusively offered to selected Distributors by invitation only based on specific agreement with the Management Company. Shares of this Fund are made available to Investors subscribing into the Fund through such Distributors only. Please contact the Company or the Management Company for additional information.

**FRANKLIN STRATEGIC INCOME FUND****Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's primary investment objective is to earn a high level of current income. As a secondary investment objective, the Fund seeks capital appreciation over the long term.

**Investment Policy**

The Fund invests principally in debt securities globally, including those in Emerging Markets. The Fund will have an allocation to fixed income securities of at least 75%. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, including bank loans (through regulated investment funds and financial derivative instruments), bonds, mortgage and other asset-backed securities (including collateralised debt obligations and mortgage dollar roll transactions) and convertible securities. The Fund may invest up to 100% of its net assets in low-rated, unrated and non-investment grade debt securities of issuers worldwide and up to 100% of its net assets in securities of companies that are, or are about to be, involved in reorganisations, financial restructurings or bankruptcy. In order to seek to achieve its objective, the Fund may use various financial derivative instruments for hedging, efficient portfolio management and investment purposes, subject to the investment restrictions more fully described in Appendix B. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards (either of which may result in negative currency exposures), futures contracts (including those on government securities), as well as options. Examples of the Fund's use of financial derivative instruments for investment purposes, which may be uncorrelated to the underlying assets of the Fund, include taking active currency positions (such as long/short positions) via forwards and cross forwards, taking active credit positions via credit default swaps and taking active interest rate positions via fixed income related total return swaps. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs, up to 10% of its net assets in credit-linked securities and up to 10% of its net assets in securities in default. The Fund may invest up to 10% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may also temporarily or on an ancillary basis, seek investment opportunities in other types of transferable securities such as preferred stock, common stock and other equity-linked securities and warrants.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 15% of the Fund's net assets, subject to a maximum of 40%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high level of current income and prospects for capital appreciation in USD by investing in debt securities and financial derivative instruments worldwide
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk
- Securitisation risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Swap Agreements risk
- Warrants risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark of the following Bloomberg Barclays Index components: US High Yield (10%), US Mortgage-Backed (10%), US Government (10%), US Credit (Corporates) (10%), US Commercial Mortgage-Backed (5%), Global Treasury ex-US (10%), US Dollar Emerging Markets Sovereign (10%), Emerging Market Local Currency Government (10%) and Global High Yield (25%).

The Expected Level of Leverage for the Fund should amount to 65%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN SYSTEMATIC STYLE PREMIA FUND**

#### **Asset Class**

Multi-Asset Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to achieve absolute returns with little to no correlation to traditional equity markets. The Fund aims to achieve its objective with an annualised volatility, under normal market conditions, of approximately 8%. There is no guarantee that the Fund will achieve its return objective, nor that it will achieve its volatility objective.

#### **Investment Policy**

The Fund seeks to achieve its investment objective by allocating its net assets across two risk premia related strategies, each of which are described as follows:

- *Top-down risk premia strategy* – such strategy targets absolute returns through long and short (including synthetic long and short) positions across various factors and asset classes including, but not limited to, equities, bonds and currencies in order to capture the risk premium associated with inefficiencies in the market. Such strategy will be achieved principally by investment in index futures and currency forwards.
- *Long-short equity selection strategy* – such strategy generally seeks to produce returns from investments in the global equity markets by taking long and short (including synthetic long and short) positions in stocks and common stock indices. These strategies are generally focused on risk-adjusted returns and capitalise on the Investment Managers' views on specific investment factors across equity markets, regions, and sectors.

The Investment Manager allocates between the two strategies with flexibility. Under normal circumstances, the two strategies would be approximately equal-weighted while in varying market environments, one strategy may see an increased allocation in order to achieve the targeted volatility.

The Fund intends to get exposure to a wide range of transferable securities, financial derivative instruments as well as other eligible securities and currencies. Such securities may include, but are not limited to, equity and equity-related securities (which may include common stocks, preferred stocks, participatory notes, equity related certificates and convertible securities of companies located anywhere in the world and of any capitalization size) and debt securities (which may include all varieties of fixed and floating-rate income securities of any maturity or quality of sovereign issuers worldwide). Exposure to such securities may be achieved directly or through the use of financial derivative instruments on eligible financial indices. **The Investment Manager may decide to invest up to 100% of the Fund's net assets in debt obligations issued or guaranteed by one single government and its local authorities from either the US, Canada, Australia, Germany, France, Italy or the United Kingdom, in accordance with the applicable risk diversification requirements contained in Appendix B "Investment Restrictions"**. The Fund may also invest up to 10% of its net assets into units of UCITS and other open and closed end UCIs as well as exchange traded funds.

Long positions benefit from an increase in the price of the underlying instrument or asset class, while short positions benefit from a decrease in that price. Exposure to synthetic short or long positions shall be effected through the use of financial derivative instruments.

The Fund uses financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, (i) futures contracts, including futures based on equity, equity index, equity ETFs, fixed income securities, interest rate and currency futures and options thereon; (ii) swaps, including currency, index, interest rate, total return swaps related to equity, fixed income and currency as well as credit default swaps, contract for difference swap and options thereon; and (iii) currency forward and foreign exchange contracts. The underlying assets and investment strategies of the total return swaps into which the Fund may invest consist of instruments in which the Fund may invest according to its investment objective and investment policy. In particular, total return swaps may be used to gain long and short exposure on equity and equity related securities. Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency. The Fund may hold significant amounts of cash or cash equivalents.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 75% of the Fund's net assets, subject to a maximum of 100%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- absolute returns across a variety of market environments, with low correlation to traditional asset classes
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Market risk
- Substantial Leverage risk

Other risks that may be relevant to the Fund:

- Commodities Related Exposure risk
- Credit-Linked Securities risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Model risk
- Securities Lending risk
- Swap Agreements risk

For the purposes of Article 6 of SFDR, it is deemed that sustainability risks are currently not relevant to the investment decisions made in view of the nature of the strategy and that sustainability risks are currently not likely to have a material impact on the returns of the Fund.

#### **Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 600%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

The Expected Level of Leverage of 600%, which is due to the use of financial derivative instruments as disclosed in the Fund's investment policy, would mainly be attributed to fixed income swaps, interest rates futures, equity total return swaps, equity futures and currency forwards.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **FRANKLIN TECHNOLOGY FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is capital appreciation.



**Investment Policy**

The Fund invests at least two thirds of its net invested assets in equity securities of US and non US companies expected to benefit from the development, advancement, and use of technology and communication services and equipment. These may include, for example, companies in the following industries:

- communication and computing related outsourcing services;
- technology services, including computer software, data services, and Internet services;
- electronic technology, including computers, computer products, and electronic components;
- telecommunications, including networking, wireless, and wire-line services and equipment;
- media and information services, including the distribution of information and content providers;
- semiconductors and semiconductor equipment; and
- precision instruments.

The Fund invests in securities of US and non US large, well-established companies, as well as small to medium-sized companies, that the Investment Manager believes provide good emerging growth opportunities.

The Fund may also invest in equity or debt securities of any type of foreign or US issuer as well as in American, European or Global Depositary Receipts.

The Fund uses a growth approach that employs intensive, bottom-up, fundamental research of companies. The Investment Manager also takes into consideration broad-based trends when considering the selection of investments. In general, the Investment Manager looks for companies it believes display, or will display, some of the following characteristics, among others: quality management; robust growth prospects; strong market positioning; high, or rising profit margins; and good return on capital investment.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities
- a growth investment in the technology sector in the US and around the world
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Counterparty risk
- Market risk
- Securities Lending risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Foreign Currency risk
- Liquidity risk
- Smaller and Midsize Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN UK EQUITY INCOME FUND****Asset Class**

Equity Fund

**Base Currency**

UK Sterling (GBP)

**Investment Objectives**

The Fund's investment objective is to generate an income in excess of the FTSE All-Share Index, together with investment growth over a three to five-year period, after all fees and costs are deducted. There is no guarantee that the Fund will achieve its return objective.

**Investment Policy**

The Fund seeks to achieve its investment objective by investing primarily in equity securities of large-cap companies incorporated, domiciled or having their principal business activities in the United Kingdom. The Fund typically invests in companies that are constituents of the FTSE All Share Index but the Investment Manager has broad discretion to deviate, even significantly, from the FTSE All Share Index's securities

and weightings. The Fund may also invest in equity securities of small and mid-cap companies. The Fund is actively managed and seeks to invest in companies across a wide range of sectors.

The Fund may also invest, on an ancillary basis, in debt securities issued by government and government related issuers as well as supranational entities organised or supported by several national governments and/or corporate issuers (including bonds convertible into common stock).

The Fund may also utilise financial derivative instruments for hedging and efficient portfolio management purposes only. These financial derivative instruments are dealt on Regulated Markets and may include, inter alia, forwards and cross forwards, futures contracts including index futures, or options on such contracts, equity-linked notes as well as options.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income and capital appreciation by investing in equity securities of companies located or having their principal business activities in the United Kingdom
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration Risk
- Market risk

Other risks that may be relevant to the Fund:

- Dividend Policy risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Liquidity risk
- Securities Lending risk
- Smaller and Midsize Companies risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund

#### **Investment Manager(s)**

Franklin Templeton Fund Management Limited

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN U.S. DOLLAR SHORT-TERM MONEY MARKET FUND**

The information contained in this Fund's section should be read in conjunction with the specific provisions applicable to Money Market Funds as included in sections "Investor General Information", "Appendix B" and "Appendix D", as well as with the general provisions of the Prospectus, unless otherwise provided.

This Fund qualifies as a Short-Term Variable Net Asset Value Money Market Fund and has been duly authorised by the CSSF in accordance with the provisions of the EU Money Market Fund Regulation ("MMFR"). This Fund has not been rated by external credit rating agencies.

#### **Asset Class**

Money Market Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to maintain a high degree of capital preservation and liquidity while maximising returns in the US dollar.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing in a portfolio of high-quality USD-denominated debt and debt-related Money Market Instruments.

The Fund invests principally in high-quality Money Market Instruments, which consist primarily of short-term fixed and floating-rate debt securities, commercial papers, floating-rate notes and certificates of deposit of credit institutions, which shall all comply with MMFR. The Fund may also, to a lesser extent, invest in eligible securitisation and asset-backed commercial paper ("ABCP") as well as deposits and cash denominated in US dollar.

These investments shall be denominated in US dollar and up to 100% may be issued or guaranteed by sovereign governments of member states of the OECD, supranational entities, including most prominently instruments issued or guaranteed by the United States Government and its agencies and related entities, including but not limited to, the United States Treasury, the U.S. Federal Reserve, the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), and the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks (FHLB), and supranational organisations that the United States and at least one EU Member State participate in, including but not limited to the International Bank for Reconstruction and Development (IBRD or World Bank), the International Finance Corporation (IFC), and the Inter-American Development Bank (IADB). In addition to receiving a favourable assessment of their credit quality pursuant to the Management Company's internal credit quality assessment procedure, all investments at the time of purchase shall have a minimum long-term rating of A or better by Standard & Poor's Corporation ("S&P") or A2 or better by Moody's Investors Service, Inc. ("Moody's") or similar rating by any other internationally recognised statistical rating organisation, corresponding to a short-term rating of A-1 by S&P/P-1 by Moody's or equivalent or, if unrated, be declared to be of comparable quality by the Investment Manager.

The Fund will maintain a Weighted Average Maturity not exceeding 60 days. The Fund only holds securities which at the time of acquisition have an initial or residual maturity not exceeding 397 days.

The Fund may use financial derivative instruments only for the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the Fund. The Fund may also invest in repurchase and reverse repurchase agreements within the limits described below, as well as less than 10% of the Fund's net assets in units or shares of any other short-term Money Market Fund.

#### **Exposure to repurchase agreements**

The expected level of exposure that could be subject to repurchase agreements amounts to 10% of the Fund's net assets, subject to a maximum of 10%.

#### **Exposure to reverse repurchase agreements**

The expected level of exposure that could be subject to reverse repurchase agreements amounts to 20% of the Fund's net assets, subject to a maximum of 35%. The aggregate amount of cash provided to the same counterparty in reverse repurchase agreements shall not exceed 15% of the assets of the Fund.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- current income and high degree of capital protection by investing in a portfolio of high-quality USD-denominated debt and debt-related securities, Money Market Instruments and cash denominated in US dollar
- invest for the short term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Credit risk
- Debt Securities risk
- Market risk

Other risks that may be relevant to the Fund:

- Concentration risk
- Counterparty risk
- Liquidity risk
- Repurchase and Reverse Repurchase Transactions risk
- Underlying Investment Funds risk

Shares in Money Market Funds are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured or guaranteed by any other agency or regulatory body. The value of Shares held in a Money Market Fund may fluctuate.

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **FRANKLIN U.S. GOVERNMENT FUND**

#### **Asset Class**

Fixed Income Fund

**Base Currency**  
US dollar (USD)

**Investment Objectives**

The Fund's investment objective is income and safety of principal.

**Investment Policy**

The Fund seeks to achieve its objective primarily through a policy of investing in debt obligations issued or guaranteed by the US government and its agencies, including purchasing mortgage- and asset-backed securities. The Fund will have an allocation to fixed income securities of at least 75%. The Fund may invest 100% of its assets in transferable securities and Money Market Instruments issued or guaranteed by the US Government, its agencies and related entities, in accordance with the applicable risk diversification requirements contained in Appendix B "Investment Restrictions", including but not limited to, the United States Treasury, the U.S. Federal Reserve, the Government National Mortgage Association (GNMA), and up to 20% in both the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (FNMA).

The Fund may use financial derivative instruments for the purpose of efficient portfolio management and interest rate hedging. Such financial derivative instruments may include, inter alia, swaps, forwards and futures contracts (including, but not limited to, futures on interest rates).

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a degree of safety of initial investment as well as income by investing in debt securities of the US government and its agencies
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Liquidity risk
- Market risk
- Securitisation risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Concentration risk
- Dividend Policy risk
- Securities Lending risk

For the purposes of Article 6 of SFDR, it is deemed that sustainability risks are currently not relevant to the investment decisions made in view of the nature of the strategy and that sustainability risks are currently not likely to have a material impact on the returns of the Fund.

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN U.S. LOW DURATION FUND**

**Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

**Investment Policy**

The Fund uses a wide range of investments to efficiently manage its portfolio and to help reduce investment costs and manage portfolio risks. These investments with a targeted average duration of less than three (3) years primarily include various transferable securities such as government and corporate debt securities and convertible debt securities as well as fixed and adjustable-rate mortgage-backed debt securities (including commercial mortgage-backed securities and collateralised mortgage obligations) and asset-backed debt securities. The Fund will have an allocation to fixed income securities of at least 75%. The Fund may participate in mortgage dollar roll transactions. The Fund can invest in financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, forwards and futures contracts, options on such contracts, including those on government securities, index-based financial derivatives and swaps such as interest rate swaps, fixed income related total return swaps, credit default swaps as well as single-name credit default swaps, either dealt on Regulated Markets or over-the-counter.

The Fund primarily invests in US issuers but may invest up to 25% of its net assets (without taking into account ancillary liquid assets) in non-US issuers and up to 20% of its net assets in non-US dollar exposure. The Fund may also invest up to 20% of its net assets in low-rated or non-investment grade debt securities.

The Fund may invest 100% of its assets in transferable securities and Money Market Instruments issued or guaranteed by the US Government in accordance with the applicable risk diversification requirements contained in Appendix B "Investment Restrictions".

The Fund may invest up to 5% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

**Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 6% of the Fund's net assets, subject to a maximum of 25%.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high level of income consistent with capital preservation by investing in fixed income securities from US issuers with a duration of less than 3 years
- invest for the medium term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk
- Securitisation risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Concentration risk
- Convertible and Hybrid Securities risk
- Liquidity risk
- Securities Lending risk
- Swap Agreements risk

**Global Exposure**

The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.

The Expected Level of Leverage for the Fund should amount to 100%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN U.S. OPPORTUNITIES FUND****Asset Class**

Equity Fund

**Base Currency**  
US dollar (USD)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities.

The Fund principally invests in small, medium, and large-capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The Investment Manager focuses on sectors that have exceptional growth potential and fast-growing, innovative companies within these sectors. In addition, solid management and sound financial records are factors the Investment Manager also considers. Although the Investment Manager searches for investments across a large number of sectors, the Fund, from time to time, may have significant positions in particular sectors such as technology (including electronic technology, technology services, biotechnology and health care technology).

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities (concentrated in equities of US issuers)
- a growth investment in sectors showing above-average growth or growth potential as compared with the overall economy
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Securities Lending risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Liquidity risk
- Smaller and Midsize Companies risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**FRANKLIN WORLD PERSPECTIVES FUND<sup>7</sup>**

**Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund seeks to achieve its objective by investing in equity and equity-related transferable securities (including equity-linked notes, such as participatory notes) across the world. The Fund's exposure to various industries, regions and markets may vary from time to time according to the Investment Manager's opinion as to the prevailing conditions and prospects for these markets. The Fund may also invest in financial derivative instruments for hedging purposes and efficient portfolio management, which may include, inter alia, swaps such as credit default swaps, forwards, futures contracts, as well as options on such contracts either dealt on Regulated Markets or over-the-counter.

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<sup>7</sup> As from September 13, 2021, the Franklin World Perspectives Fund will be renamed Franklin Global Growth Fund.

The Fund's Investment Manager employs a disciplined, bottom-up investment approach to identify attractive investment opportunities that have higher expected revenue and earnings growth than their peers. The Investment Manager uses a growth investment style and in-depth, fundamental research to identify high-quality companies, across all industry groups, with sustainable business models that offer the most attractive combination of growth, quality and valuation. The Fund invests in equity securities in developed and Emerging Markets, generally in companies with a market capitalisation around or greater than USD 2 billion. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in securities across sectors or market capitalisation ranges capable of outperforming the markets through economic cycles in developed and emerging markets globally
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Counterparty risk
- Derivative Instruments risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Securities Lending risk
- Smaller and Midsize Companies risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Institutional, LLC

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON ALL CHINA EQUITY FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is long-term capital appreciation by investing primarily in equity securities issued by Chinese companies in both onshore (mainland China stock exchanges) and offshore markets (exchanges outside mainland China) as well as Hong Kong.

#### **Investment Policy**

The Fund invests primarily in transferable equity securities as well as depository receipts of companies (i) which are incorporated in Mainland China or Hong Kong, and/or (ii) which have their principal business activities in Mainland China or Hong Kong, and/or (iii) which are listed on recognized exchanges in capital markets in Mainland China or Hong Kong. The Fund may also invest in equity securities of companies located outside of Mainland China or Hong Kong, but which derive a significant proportion of their revenues or profits from Mainland China or Hong Kong or have a significant portion of their assets in Mainland China or Hong Kong. Under normal market conditions, the Fund invests primarily in common stocks, as well as depository receipts.

Since the Investment Manager considers that Environmental, Social and Governance (ESG) factors can have a material impact on a company's current and future corporate value, ESG considerations will be an integral component of its fundamental bottom up research. The research team routinely evaluate material ESG issues in accordance with an internally established framework. For the avoidance of doubt, the Investment Manager does not apply binding ESG criteria nor explicit ESG exclusions.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 100% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, or Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, direct investments into China A-Shares through the QFII channel, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may utilise financial derivative instruments for hedging and efficient portfolio management. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as total return swaps on equity related indices, listed single stocks or baskets of listed single stocks), forwards, futures contracts (including those on equity indices), as well as warrants and options.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 40% of the Fund's assets in cash, cash equivalents or other Money Market Instruments.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of Chinese companies traded on stock exchanges in and outside Mainland China, as well as Hong Kong
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Frontier Markets risk
- Liquidity Risk
- Securities Lending Risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Asset Management Ltd, Franklin Templeton Investment Management Limited and Templeton Investment Counsel, LLC

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **TEMPLETON ASIA EQUITY TOTAL RETURN FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to provide total return through long term capital appreciation as well as income. The Fund also aims to offer a certain degree of downside and volatility reduction.

#### **Investment Policy**

The Fund invests primarily in transferable equity and equity-related securities as well as depository receipts of companies (i) which are incorporated in the Asia Region, and/or (ii) which have their principal business activities in the Asia Region, and/or (iii) which are listed on



recognized exchanges in capital markets of the Asia Region. The Asia Region includes but is not limited to the following countries: Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand, and excludes Australia, New Zealand and Japan. The Fund may also invest in equity securities of companies located outside of the Asia Region but which derive a significant proportion of their revenues or profits from the Asia Region or have a significant portion of their assets in the Asia Region. Under normal market conditions, the Fund invests primarily in common stocks.

Since the Investment Manager considers that Environmental, Social and Governance (ESG) factors can have a material impact on a company's current and future corporate value, ESG considerations will be an integral component of its fundamental bottom up research. The research team routinely evaluate material ESG issues in accordance with an internally established framework. For the avoidance of doubt, the Investment Manager does not apply binding ESG criteria nor explicit ESG exclusions.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may further utilise financial derivative instruments for hedging and efficient portfolio management. These financial derivative instruments may include, inter alia, swaps (such as total return swaps on equity related indices, listed single stocks or baskets of listed single stocks), forwards, futures contracts (including those on equity indices), as well as options (including warrants) either dealt on Regulated Markets or over-the-counter.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 40% of the Fund's assets in cash, cash equivalents or other Money Market Instruments.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (funded) amounts to 20% of the Fund's net assets, subject to a maximum of 40%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- total return by investing in equity securities of companies in Asia, including Emerging Markets
- a certain degree of downside and volatility reduction
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Frontier Markets risk
- Liquidity risk
- Securities Lending risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Asset Management Ltd.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## TEMPLETON ASIAN BOND FUND

### Asset Class

Fixed Income Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

### Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers, and corporate entities located throughout Asia. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities linked to assets or currencies of any Asian country or deriving its value from another security. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund may invest in investment-grade and non-investment grade debt securities issued by Asian issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also participate in mortgage dollar roll transactions. The Fund may invest up to 40% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may invest up to 33% of its net assets, either directly or through the use of financial derivative instruments, in fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of Asia which are impacted by economic or financial dynamics in Asia. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- total investment return consisting of interest income, capital appreciation and currency gains by investing in debt securities of issuers located throughout Asia
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk

- Dividend Policy risk
- Liquidity risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is the JPMorgan Government Bond Index-Emerging Markets Broad Diversified Asia Index (100%).

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Templeton Asset Management Ltd., which acts as sub-investment manager.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON ASIAN GROWTH FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is long-term capital appreciation.

#### **Investment Policy**

The Fund applies the traditional Templeton investment method. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline.

The Fund invests primarily in transferable equity securities as well as depository receipts of companies (i) which are incorporated in the Asia Region, or (ii) which have their principal business activities in the Asia Region, or (iii) which are listed on recognized exchanges in capital markets of the Asia Region. The Asia Region includes but is not limited to the following countries: Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand, and excludes Australia, New Zealand and Japan. The Fund may also invest in equity securities of companies located outside of the Asia Region but which derive a significant proportion of their revenues or profits from the Asia Region or have a significant portion of their assets in the Asia Region. Under normal market conditions, the Fund invests primarily in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, including fixed income securities. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in securities of companies in Asia, including Emerging Markets
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Frontier Markets risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON ASIAN SMALLER COMPANIES FUND**

**Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's principal investment objective is to provide long-term capital appreciation.

**Investment Policy**

The Fund invests primarily in transferable equity securities as well as depository receipts of small-cap companies (i) which are incorporated in the Asia region, or (ii) which have their principal business activities in the Asia region. The Asia Region includes but is not limited to the following countries: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. Furthermore, for the purpose of the Fund's investment objective, Asian small-cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of small-cap companies located in the Asia region
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Counterparty risk
- Frontier Markets risk
- Participatory Notes risk
- Securities Lending risk
- Smaller and Midsized Companies risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd. and Franklin Templeton International Services S.à r.l.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON BRIC FUND**

**Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund invests primarily in equity securities of companies (i) organised under the laws of or with their principal office in Brazil, Russia, India and China (including Hong-Kong and Taiwan) ("BRIC") or (ii) which derive the principal portion of their revenues or profits from BRIC economies or have the principal portion of their assets in BRIC economies.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, including debt and fixed income securities and in Money Market Instruments. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in securities of companies in Brazil, Russia, India and China, including Hong Kong and Taiwan
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- 

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Non-Regulated Markets risk
- Russian and Eastern European Markets risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investments (Asia) Limited

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Templeton Asset Management Ltd., which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON CHINA A-SHARES FUND**

**Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is long-term capital appreciation by investing primarily in China A-Shares, equity securities of Chinese companies listed in Mainland China.

**Investment Policy**

The Fund seeks to achieve its objective through a policy of investing primarily in Chinese A-Shares, RMB-denominated shares of companies (i) organised under the laws of or with their principal offices in Mainland China, (ii) which derive the principal portion of their revenue from goods or services sold or produced, or have the principal portion of their assets in China or (iii) listed on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

The Fund may also invest in China A-Shares through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios and also direct investment into China A-Shares through the QFII channel, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations and in China B-Shares.

Since the Investment Manager considers that Environmental, Social and Governance (ESG) factors can have a material impact on a company's current and future corporate value, ESG considerations will be an integral component of its fundamental bottom up research. The research team routinely evaluate material ESG issues in accordance with an internally established framework. For the avoidance of doubt, the Investment Manager does not apply binding ESG criteria nor explicit ESG exclusions.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as sovereign and corporate debt and fixed income securities, in equity securities of companies listed outside of Mainland China, including but not limited to Hong Kong and the US (limited to 30% of the Fund's total net assets), as well as in American and Global Depositary Receipts. The Fund may further invest in time deposits, cash and Money Market Instruments and up to 10% of its net assets in units of undertaking for collective investments such as UCITS or other UCIs.

The Fund may utilise financial derivative instruments for hedging and efficient portfolio management. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, futures contracts such as equity index futures as well as options such as equity index options.

The Fund may also invest in repurchase and/or reverse repurchase agreements within the limits described below.

**Exposure to repurchase agreements**

The expected level of exposure that could be subject to repurchase agreements amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

**Exposure to reverse repurchase agreements**

The expected level of exposure that could be subject to reverse repurchase agreements amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of companies domiciled in Mainland China and/or traded on Chinese stock exchanges
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Frontier Markets risk
- Liquidity Risk
- Repurchase and Reverse Repurchase Transactions risk
- Securities Lending risk

Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks.

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd., Franklin Templeton Investment Management Limited and Templeton Investment Counsel, LLC

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON CHINA FUND**

**Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund seeks to achieve its objective through a policy of investing primarily in equity securities of companies (i) organised under the laws of or with their principal offices in Mainland China, Hong Kong or Taiwan or (ii) which derive the principal portion of their revenue from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan.

The Fund may also invest in equity securities of companies (i) for which the principal market for the trading of securities is China, Hong Kong or Taiwan or (ii) that are linked to assets or currencies in China, Hong Kong or Taiwan.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of China
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## TEMPLETON EASTERN EUROPE FUND

### Asset Class

Equity Fund

### Base Currency

Euro (EUR)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund seeks to achieve its objective by investing primarily in listed equity securities of issuers organised under the laws of, or with their principal activities within, the countries of Eastern Europe, as well as the New Independent States, e.g. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union in the past (the "Region").

The Fund may also invest in securities issued by the governments of the above-mentioned countries and privatisation certificates of companies located, or with their principal activities, within the Region. Eastern Europe includes the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Malta, Montenegro, Poland, Romania, Russia, Serbia, the Slovak Republic, Slovenia, and Turkey. The New Independent States that were formerly part of the Soviet Union, apart from Russia itself, include: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Investment Manager anticipates that the Fund invests primarily in companies (i) of which, if listed, the principal equity securities market is in the Region; or (ii) that derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed, in the Region; or (iii) that have at least 50% of their assets situated in the Region. The Fund primarily invests in equity securities of publicly traded companies. Preference is given to the countries with functioning stock markets where foreign investment is permitted and appropriate custodial arrangements exist.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in the Eastern European region, including Emerging Markets
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Emerging Markets risk
- Foreign Currency risk

Other risks that may be relevant to the Fund:

- Counterparty risk
- Liquidity risk
- Russian and Eastern European Markets risk
- Securities Lending risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)<sup>8</sup>

Franklin Templeton Investments (Asia) Limited and Franklin Templeton International Services S.à r.l.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Templeton Investments (ME) Limited, which acts as sub-investment manager.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## TEMPLETON EMERGING MARKETS BOND FUND

### Asset Class

Fixed Income Fund

### Base Currency

US dollar (USD)

<sup>8</sup> As from October 15, 2021, the management structure of the Fund will be restated so that Franklin Templeton International Services S.à r.l. will act as sole Investment Manager of the Fund.



### **Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income, capital appreciation and currency gains.

### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities (including non-investment grade securities) and debt obligations issued by government and government-related issuers or corporate entities located in developing or Emerging Market countries. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities linked to assets or currencies of any developing or Emerging Market country or deriving its value from another security. In addition, the Fund may purchase preferred stock, common stock and other equity-linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 33% of its net assets, either directly or through the use of financial derivative instruments, in fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of developing or Emerging Market countries which are impacted by economic or financial dynamics in developing or Emerging Market countries. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- potentially above-average levels of income, capital appreciation and currency gains by investing in Emerging Markets fixed income securities
- invest for the medium to long term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Frontier Markets risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

- Warrants risk

### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (50%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (50%).

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

### **Investment Manager(s)**

Franklin Advisers, Inc.

### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON EMERGING MARKETS DYNAMIC INCOME FUND**

### **Asset Class**

Multi-Asset Fund

### **Base Currency**

US dollar (USD)

### **Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, a combination of capital appreciation and interest income.

### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in a diversified portfolio of equity securities, fixed and floating-rate debt securities, including low-rated and non-investment grade debt securities, and debt obligations issued by government, government-related issuers and corporate entities which are located, incorporated or have their principal business activities in developing or Emerging Market countries. Such countries include but are not limited to Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund will typically invest at least 25% of its net assets in Emerging Market equity securities and at least 25% of its net assets in Emerging Market debt securities but the proportion of its net assets allocated to each may vary over time depending on the Investment Managers' view of the relative attractiveness of each asset class.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. Financial derivative instruments may be used for the purposes of obtaining greater liquidity, locking in higher yields, or to implement currency and interest rate views to obtain economic exposure as an alternative to transacting in the physical markets. The Fund does not intend to invest extensively in financial derivative instruments. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities or structured products (such as P-notes or equity-linked notes) where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or Emerging Market country. In addition, the Fund may purchase preferred stock, common stock and other equity-linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its net assets in securities in default.

The Fund may also invest in securities issued by government, government-related issuers or corporate entities located outside of developing or Emerging Market countries but which derive a significant proportion of their revenues or profits from, have a significant portion of their assets in or are impacted by economic/financial dynamics in developing or Emerging Market countries. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- maximise a combination of capital appreciation and interest income by investing in Emerging Markets
- invest for the medium to long term

### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Credit risk
- Dividend Policy risk
- Frontier Markets risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Swap Agreements risk

### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### **Investment Manager(s)**

Franklin Advisers, Inc.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Templeton Asset Management Ltd., which acts as sub-investment manager.

### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON EMERGING MARKETS FUND**

### **Asset Class**

Equity Fund

### **Base Currency**

US dollar (USD)

### **Investment Objectives**

The Fund's investment objective is capital appreciation.

### **Investment Policy**

The Fund seeks to achieve its objective through a policy of investing primarily in equity securities, and as an ancillary matter in debt obligations, issued by corporations incorporated or having their principal business activities in, and governments of, developing or emerging nations.

The Fund may also invest in those companies, which derive a significant proportion of their revenues or profits from emerging economies or have a significant portion of their assets in emerging economies. The Fund may also invest in equity and debt securities of issuers that are linked to assets or currencies of emerging nations. The Fund invests primarily in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, participatory notes, securities convertible into common stock, and corporate and government debt obligations. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in Emerging Markets
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Debt Securities risk
- Frontier Markets risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Russian and Eastern European Markets risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON EMERGING MARKETS LOCAL CURRENCY BOND FUND****Asset Class**

Fixed Income Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income, capital appreciation and currency gains.

**Investment Policy**

The Fund seeks to achieve its objective by investing primarily in a portfolio of local currency-denominated fixed and floating rate debt securities and debt obligations (including but not limited to inflation/index linked and zero coupon debt instruments), of any maturity or credit rating category (including investment grade, non-investment grade, low-rated and unrated securities), issued by government (including municipal, national and provincial), government-related entities (including supranational organisations or entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank) and corporate issuers located in developing or Emerging Market Countries and when located outside Emerging Market countries, affected by the economic or financial dynamics of developing or Emerging Market countries. The Fund may invest up to 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps, including currency, cross-currency, interest rate, inflation, variance and volatility swaps, total return swaps related to fixed income or currency as well as credit default swaps), forwards, currency forward contracts or cross forwards and futures contracts (including, but not limited to, futures on interest rates, bonds, currencies, equities, commodities and such related indexes), as well as options thereon. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit.

The Fund may also invest in Money Market Instruments (including US Agency obligations denominated in USD) or structured products (such as mortgage- and asset-backed securities), as well as credit-linked notes where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may invest up to 10% of its net assets in units of UCI such as UCITS, Exchange Traded Funds ("ETF") as well as other UCIs. In addition, the Fund may purchase preferred stock, common stock and other equity-linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its net assets in securities in default.

The Investment Manager may seek to maintain liquidity when it believes that cash represents a better relative value compared to investment opportunities or take a temporary defensive position when the markets or the economy of countries where the Fund invests are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may invest significant portion of its net assets in any denominated currency short-term investments, cash or cash equivalent and may be unable to pursue its investment objective.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (funded) amounts to 3% of the Fund's net assets, subject to a maximum of 5%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- potentially above-average levels of income, capital appreciation and currency gains by investing in Emerging Markets fixed income securities
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Distressed Securities risk
- Dividend Policy risk
- Frontier Markets risk
- Structured Notes risk
- Swap Agreements risk
- Warrants risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is the JP Morgan Government Bond Index EM Global Diversified Index.

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is long-term capital appreciation.

### Investment Policy

The Fund seeks to achieve its objective through a policy of investing primarily in equity securities as well as depository receipts of (i) small-cap companies registered in the Emerging Markets, (ii) small-cap companies which perform a substantial part of their business in Emerging Markets, and (iii) small-cap holding companies which hold a substantial part of their participations in companies referred to in (i). For the purpose of the Fund's investment objective, Emerging Market small-cap companies are normally those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

On an ancillary basis, the Fund may also invest in participatory notes, in debt securities of Emerging Market countries, which may be low-rated or unrated, and in transferable securities of issuers located in the developed countries. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in Emerging Markets small-cap securities
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Counterparty risk
- Frontier Markets risk
- Participatory Notes risk
- Securities Lending risk
- Smaller and Midsize Companies risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Templeton Asset Management Ltd. and Franklin Templeton International Services S.à r.l.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## TEMPLETON EMERGING MARKETS SUSTAINABILITY FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is both capital appreciation and positive outcomes by investing in companies whose products and/or services contribute to one or more positive social and/or environmental outcome areas across Basic Needs, Wellbeing, Decent Work, Healthy Ecosystems, Climate Stability, and Resource Security, linked to United Nations Sustainable Development Goals (UN SDGs).

### **Investment Policy**

The Fund seeks to achieve its objective through a policy of investing primarily in a diversified portfolio of equity securities of companies located or having their principal business activities in developing or emerging nations and which demonstrate good or improving sustainability criteria as defined by the Investment Managers' binding ESG rating methodology described below. The Fund aims to invest in companies which derive a significant proportion of their revenues or profits from emerging economies, have a significant portion of their assets in emerging economies and/or are linked to assets or currencies of emerging nations.

Sustainability considerations form a core and necessary part of each company's investment thesis. ESG factors provide a measure of sustainability and this assessment of a company is carried out alongside traditional financial and economic analysis. The Fund conducts a rigorous and holistic 3-pillar ESG assessment on each company which measures: (i) Alignment of products and/or services to positive environmental and/or social outcome areas, (ii) Intentionality to maintain or improve the ESG footprint of the company's operating model, and (iii) Transition potential for improvement through the Investment Managers' engagement as active owners. 100% of the companies in which the Fund invests undergo this ESG assessment and the Investment Managers assign an overall proprietary score for each company prior to investment. The Fund will only invest in companies that score a minimum of A as per this internal ESG assessment and exclude companies scoring BBB or below. Given the bottom-up and high conviction approach undertaken, the Fund will typically have a higher weighting to companies scoring AA or AAA based on this assessment. The 3 pillars of this ESG assessment are described in detail below along with additional ESG exclusions the Fund applies, and this filters down the investment universe by typically at least 20%.

- Alignment - The Investment Managers seek companies whose products and/or services contribute to one or more six positive social and/or environmental outcome areas linked to the UN SDGs.
  - The six positive outcome areas are: (i) basic needs (goods and services known to contribute significantly to development), (ii) wellbeing (enhanced health, education, justice and equality of opportunity for all), (iii) decent work (creation of secure, socially inclusive jobs and working conditions for all), (iv) healthy ecosystems (maintenance of ecologically sound landscapes and seas for people and nature), (v) climate stability (solutions to curb the earth's temperature rise), and (vi) resource security (preservation of natural resources through efficient and circular use).
- Intentionality - The Investment Managers will assess how a company's practices are intended at improving or maintaining the ESG footprint of its operating model. The Investment Managers conduct a materiality based ESG assessment to assign a score. The following provides examples of ESG elements that can be taken into consideration when assessing a company:
  - Environmental considerations can include issues such as resource efficiency, carbon emissions management, waste prevention and recycling, and pollution prevention and control.
  - Social considerations can include issues such as labor standards, fair wages, diversity and gender balance, health & safety practices, and product safety.
  - Governance considerations can include issues such as appropriate accounting practices, alignment of interests, board effectiveness, capital allocation, shareholder rights, and quality of disclosures.
- Transition - The Investment Managers will assess the potential for improvement in the two aforementioned pillars through their engagement as active owners. These will be targeted engagements with specific goals and objectives based on scope for improvement.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Managers analysis:

- Repeatedly and/or seriously violate the United Nations Global Compact Principles;
- Manufacture nuclear weapons or controversial weapons defined as anti-personnel mines, biological & chemical weaponry, depleted uranium and cluster munitions or those that manufacture components intended for use in such weapons. Companies that derive more than 5% revenue from any other weapons will also be excluded;
- Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds 5%;
- Derives more than 5% of their revenue from thermal coal extraction or unconventional oil & gas extraction;
- Derives more than 5% of their revenue from gambling or adult entertainment;
- Any company which appears as excluded on the Norges Bank Investment Management (NBIM) exclusion list.

To measure the attainment of the Fund's sustainability investment objective, the Fund will measure exposure of the portfolio to companies contributing to positive social and/or environmental outcome areas across Basic Needs, Wellbeing, Decent Work, Healthy Ecosystems, Climate Stability, and Resource Security, and the underlying exposure to UN SDGs. The Investment Managers may also measure against these outcomes through appropriate metrics where available such as number of people or percentage of population benefiting from necessities, key development, living standards, and job creation, as well as quantity or metric of energy conservation, carbon reduction and natural resource quality and conservation.

As a fundamental bottom up management, the investment research is predominately generated internally benefiting from the central role of analysts and portfolio managers of Franklin Templeton across a wide range of global, regional and single country strategies to generate investment ideas for this strategy. The Investment Managers strive not only to implement sustainability thesis in research, but also to uphold them throughout portfolio construction and maintenance, which includes actively working with investee companies to monitor and promote responsible practices that support environmental and social outcomes. The Investment Managers seek companies that are good or improving stewards aligned with shareholder interest and the Investment Manager's governance assessment includes regular dialogue with companies, monitoring material ESG issues and voting proxies.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities, such as preferred stock, participatory notes, securities convertible into common stock, American and Global Depositary Receipts as well as corporate and government debt obligations. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFII) portfolios, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may further utilise financial derivative instruments for hedging and/or efficient portfolio management. These financial derivative instruments may include, inter alia, swaps, forwards and futures contracts (including those on equity indices) as well as options (including warrants).

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking:

- invest in a Fund compliant with Article 8 of the SFDR
- for capital appreciation and positive outcomes by investing in companies of Emerging Markets whose products and/or services contribute to one or more positive social and/or environmental outcome areas
- to invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Chinese Market risk
- Concentration risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Frontier Markets risk
- Liquidity risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Russian and Eastern European Markets risk
- Securities Lending risk
- Sustainability risk
- Warrants risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON EUROLAND FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its objective primarily through a policy of investing in equity and debt obligations of any issuer in a member country of the European Monetary Union (Eurozone countries), including corporations and governments, whether denominated in euro or relevant national currency, and in stock or debt obligations denominated in euro of any other issuer.

To ensure eligibility for the French *Plan d'Epargne en Actions* (PEA), the Fund invests at least 75% of its net assets in equity securities issued by companies which have their head office in the European Union.



Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, such as preferred stock and securities convertible into common stock of any such issuers as described above.

The Fund may also invest to a lesser extent in structured notes such as equity-linked notes.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, futures contracts (including futures based on equity, equity index, interest rate and currency), forwards as well as options (such as equity options and equity index options dealt on Regulated Markets). Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in undervalued equity securities issued by the member countries of the European Monetary Union
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Foreign Currency risk
- Liquidity risk
- Securities Lending risk
- Structured Notes risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton Investment Management Limited

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **TEMPLETON EUROPEAN DIVIDEND FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is to provide a combination of current income and long-term capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its investment objective by investing principally in equity and equity-related securities (including warrants and convertible securities) of companies of any market capitalisation incorporated or having their principal business activities in European countries. In particular, the Fund seeks income by investing in stocks the Investment Manager believes offer attractive dividend yields at the time of purchase and the prospect for attractive dividend yields in the future.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also on an ancillary basis seek investment opportunities in equity-linked securities of the abovementioned companies as well as equity, equity-linked and equity-related securities of companies which do not fulfil the requirements set out above.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, forwards and cross forwards, futures contracts including index futures, or options on such contracts, equity-linked notes as well as options.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- income and capital appreciation by investing in equity securities of companies located in any European country
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Liquidity risk
- Securities Lending risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON EUROPEAN OPPORTUNITIES FUND****Asset Class**

Equity Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund seeks to achieve its investment objective by investing principally in equity and equity-related securities (including warrants and convertible securities) of companies of any market capitalisation. In selecting equity investments, the Investment Manager employs an active, bottom-up fundamental research process to search for individual securities believed to possess superior risk-return characteristics.

The Fund principally invests its net assets in securities of issuers incorporated or having their principal business activities in European countries.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities, which do not fulfil the requirements set out above.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of companies located in any European country
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Securities Lending risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON EUROPEAN SMALL-MID CAP FUND**

**Asset Class**

Equity Fund

**Base Currency**

Euro (EUR)

**Investment Objectives**

The Fund's investment objective is capital appreciation.

**Investment Policy**

The Fund seeks to achieve its investment objective by investing principally in equity and equity-related securities (including warrants and convertible securities) of small and mid-cap European companies. In selecting equity investments, the Investment Manager employs an active, bottom-up fundamental research process to search for individual securities believed to possess superior risk-return characteristics.

The Fund principally invests its net assets in the securities of issuers incorporated or having their principal business activities in European countries and which have a market capitalisation above euro 100 million and below euro 8 billion or the equivalent in local currencies at the time of purchase.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities, which do not fulfil the requirements set out above.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of small or mid cap companies located in any European country
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Smaller and Midsize Companies risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Securities Lending risk
- Warrants risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investment Management Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON FRONTIER MARKETS FUND**

**Asset Class**  
Equity Fund

**Base Currency**  
US dollar (USD)

**Investment Objectives**  
The Fund's principal investment objective is to provide long-term capital appreciation.

**Investment Policy**  
The Fund invests principally in transferable equity securities of companies (i) incorporated in the Frontier Markets countries, or (ii) which have their principal business activities in Frontier Market countries across the market capitalisation spectrum. The Frontier Market countries are smaller, less developed and less accessible Emerging Market countries, but with "investable" equity markets and include those defined as Frontier Markets by the International Finance Corporation as well as included in Frontier Markets-related indices (including but not limited to: MSCI Frontier Emerging Markets Select Countries Capped Index, Merrill Lynch Frontier Index, S&P Frontier Broad Market Index), for example Bahrain, Bulgaria, Egypt, Kazakhstan, Nigeria, Pakistan, Qatar, Vietnam, etc.

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide as well as in financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity-linked notes either dealt on Regulated Markets or over-the-counter.

**Exposure to securities lending transactions**  
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**  
Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities of companies located in countries defined as Frontier Markets
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Concentration risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Counterparty risk
- Derivative Instruments risk
- Participatory Notes risk
- Securities Lending risk

**Global Exposure**  
The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**  
Franklin Templeton Investments (Asia) Limited

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Templeton Investments (ME) Limited, which acts as sub-investment manager.

**Fees Disclosures**  
Please refer to Appendix E for a full description of the fees.

**TEMPLETON GLOBAL BALANCED FUND**

**Asset Class**  
Balanced Fund

**Base Currency**  
US dollar (USD)

**Investment Objectives**  
The Fund's investment objective is to seek capital appreciation and current income, consistent with prudent investment management.

**Investment Policy**  
The Fund seeks to achieve its objective by investing principally in equity securities and government debt securities issued by entities throughout

the world, including Emerging Markets.

The Investment Manager anticipates that the majority of the Fund's portfolio is normally invested in equity or equity-linked securities, including debt or preferred stock convertible or exchangeable into equity securities, selected principally on the basis of their capital growth potential. The Fund seeks income by investing in fixed or floating-rate debt securities (including up to 5% of the Fund's net assets in non-investment grade securities) and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may purchase equities, fixed income securities and debt obligations. Notwithstanding the foregoing, at no time will the Investment Manager invest more than 40% of the Fund's net assets into fixed income securities.

The Fund may also utilise financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may be dealt on either (i) Regulated Markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and a level of income by accessing a portfolio of both equity and fixed income securities via a single fund
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Credit risk
- Debt Securities risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Securities Lending risk
- 

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Asset Management Ltd. and Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GLOBAL BOND (EURO) FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating-rate debt securities (including non-investment grade securities) and debt obligations issued by government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in debt securities (including non-investment grade securities) of corporate issuers. The Fund may also

purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may invest up to 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) proprietary rating methodology to assess each country that issues sovereign bonds that are existing or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of sub-categories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test best represents the investment worthiness of a country and also promotes ESG by investing in countries that are expected to improve from an ESG perspective.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction. As an initial step in its methodology, the Investment Manager evaluates countries that issue sovereign debt that may be potential investments for the Fund (the "Fund's Investment Universe"). Each country in the Fund's Investment Universe is scored on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global indexes providers. The Investment Manager's team will then use internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories.

Projected scores in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. The weighted average base ESG score of the issuers in the Fund's portfolio is higher than the average base ESG score of its Investment Universe.

The Investment Manager monitors countries that (i) are below the minimum ESG threshold (the lowest 20% of ESG rated countries) and (ii) present meaningful projected deteriorating scores, with a view to evaluate the potential divestment of sovereign bonds issued by countries that demonstrate no improvement over time. When the disposition of an existing position is not feasible due to legal or regulatory restrictions or exceptional market circumstances the investment team shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be. Countries that are subject to international economic sanctions, including sanctions imposed by the United Nations, the European Union or the United States Office of Foreign Assets Control are excluded from the Investment Universe.

The countries in the Fund's Investment Universe, the ESG subcategories, weightings for environment, social and governance, and the global reference indices used for scoring are reviewed at least bi-annually and may change over time.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), currency forwards and cross currency forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities or structured products (such as credit-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, including convertible bonds and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs for cash management purposes only. The ESG methodology is not applied to the financial derivative instruments themselves or to UCITS / UCI used for cash management purposes. The non-Euro component of the portfolio may be hedged into euro. Under normal market conditions, the Fund aims to maintain a net exposure of at least 85% to the Euro.

The name of the Fund reflects the base currency of the Fund being in Euro, and does not necessarily imply that any particular proportion of the Fund's net invested assets are denominated in Euro.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 8 of the SFDR
- maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk

- Credit-Linked Securities risk
- Liquidity risk
- Securities Lending risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GLOBAL BOND FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating-rate debt securities (including non-investment grade securities) and debt obligations issued by government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in debt securities (including non-investment grade securities) of corporate issuers. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) proprietary rating methodology to assess each country that issues sovereign bonds that are existing or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of sub-categories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test best represents the investment worthiness of a country and also promotes ESG by investing in countries that are expected to improve from an ESG perspective.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction. As an initial step in its methodology, the Investment Manager evaluates countries that issue sovereign debt that may be potential investments for the Fund (the "Fund's Investment Universe"). Each country in the Fund's Investment Universe is scored on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global indexes providers. The Investment Manager's team will then use internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories.

Projected scores in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. The weighted average base ESG score of the issuers in the Fund's portfolio is higher than the average base ESG score of its Investment Universe.

The Investment Manager monitors countries that (i) are below the minimum ESG threshold (the lowest 20% of ESG rated countries) and (ii) present meaningful projected deteriorating scores, with a view to evaluate the potential divestment of sovereign bonds issued by countries that demonstrate no improvement over time. When the disposition of an existing position is not feasible due to legal or regulatory restrictions or exceptional market circumstances the investment team shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be. Countries that are subject to international economic sanctions, including sanctions imposed by the United Nations, the European Union or the United States Office of Foreign Assets Control are excluded from the Investment Universe.

The countries in the Fund's Investment Universe, the ESG subcategories, weightings for environment, social and governance, and the global reference indices used for scoring are reviewed at least bi-annually and may change over time.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as interest rate swaps, credit default swaps or fixed income related total return swaps), currency forwards and cross currency forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities or structured products (such as credit-linked securities, mortgage- and asset-backed securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, including convertible bonds and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its

net assets in units of UCITS and other UCIs for cash management purposes only. The ESG methodology is not applied to the financial derivative instruments themselves or to UCITS / UCI used for cash management purposes.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 3% of the Fund's net assets, subject to a maximum of 5%.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 8 of the SFDR
- maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Liquidity risk
- Securities Lending risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the J.P. Morgan Government Bond Index Broad (JGBI Broad) (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%).

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **TEMPLETON GLOBAL CLIMATE CHANGE FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**



The Fund's investment objective is to contribute towards climate change mitigation and adaptation as considered by the Paris Climate Agreement while seeking capital appreciation.

#### **Proposed index / alternative means of measurement**

The Fund's proposed index to measure the sustainable investment objective, is the MSCI ACWI Climate Change Index, which pursues carbon intensity of at least 30% below the broad market index and incorporates a year on year self-decarbonization of at least 7% on average, the trajectory required to limit global warming of no more than 1.5 degrees, according to the Intergovernmental Panel on Climate Change. The index applies exclusions and adjusted weightings to the broad market parent index, MSCI All Country World Index, in order to comply with the EU Climate Transition Benchmark requirements. In order to achieve the long-term global warming targets of the Paris Climate Agreement, the Fund pursues decarbonization primarily through investments in solutions to reduce greenhouse gas emissions, and secondarily through investments in companies committed to aligning their own self-decarbonization trajectory with the 1.5-degree scenario.

#### **Investment Policy**

The Fund seeks to achieve its objective by primarily investing in equity securities of global companies that provide solutions for the mitigation and/or adaptation of climate change risk or which are in the process of making their business models more resilient to long-term risks presented by climate change and resource depletion. Such companies are, in our view, better prepared financially and competitively for a transition to a low carbon and more resource constrained economy. The Investment Manager uses in-depth analysis to select equity securities which it believes are undervalued, based on such factors as their expected long-term earnings and the value of the business assets.

The Fund aims to achieve its climate change mitigation and adaptation objective by investing in companies that reduce emissions, improve resource efficiency and limit the physical consequences of climate change so as to align the Fund's portfolio carbon footprint with the landmark Paris Climate Agreement adopted in December 2015. Companies that may benefit financially and competitively from the transition to a global low-carbon economy can be grouped into three broad categories:

- **Solution providers:** (>50% of the Fund's net assets) companies that derive more than 50% of revenues (or alternative metric such as assets) from products and services that directly or indirectly reduce global emissions, improve resource efficiency, and/or protect against the physical consequences of climate change. The solutions activities are generally associated with one of the following themes: Renewable Energy, Energy Efficiency, Water & Waste Management, Sustainable Transportation, and Sustainable Forestry & Agriculture. Factors driving security selection include the Investment Manager's percent of revenues and profits from solutions, a company's net impact on greenhouse gas emissions and resource usage and its governance of the opportunities arising from the low carbon transition.
- **Transitioning companies:** (<50% of the Fund's net assets) companies that have moderate to high emissions or resource intensity which are making industry-leading efforts to reduce them. Such companies will have below average projected carbon intensity as a result of historical greenhouse gas emissions reductions and quantitative reduction targets, or they will have above average projected solutions revenue. Factors driving security selection include the Investment Manager's view on a company's ability to achieve carbon and resource intensity aligned with the long-term global warming targets of the Paris Climate Agreement, greenhouse gas emissions disclosure quality, exposure to climate mitigation and adaptation solutions and the company's governance of the risks and opportunities arising from the low carbon transition.
- **Resilient companies:** (<50% of the Fund's net assets) companies that have relatively low carbon and resource intensity. Such companies will have carbon or resource intensity in the bottom half of the broad global investment universe. Factors driving security selection are the same as Transitioning companies.

To measure the attainment of the Fund's sustainable investment objective, the Fund will measure exposure to climate mitigation and adaptation solutions providers, the portion of the portfolio with an increase in solutions revenues and that report carbon avoided, renewable energy generation, the percent of companies with quantitative greenhouse gas emissions reduction targets and the weighted average reduction target, portfolio carbon footprint trajectory, exposure to fossil fuels, exposure to companies with high carbon emission product & operations, and the portion of the portfolio with an improving carbon footprint.

The Fund seeks to invest in companies that are good stewards of their impact on social and environmental development. Environmental, social and governance (ESG) issues are considered alongside traditional financial measures to identify responsible and effective stewards of capital and provide a more comprehensive view of the longer-term value, risk and sustainable return potential of an investment. The internal ESG assessment framework applied to all companies is aided by multiple external ESG research and data providers, including Carbon Disclosure Project (CDP), MSCI and Sustainalytics. ESG issues evaluated will include elements such as 1) Environmental - how a company manages its impact on the environment (energy use, climate change, waste, pollution, natural resource conservation), 2) Social - how a company manages relationships with its employees, suppliers, customers and the communities where it operates (human rights, labour standards, employee engagement, community relations, data protection and privacy, gender and diversity) and 3) Governance - how a company's oversight is structured to ensure responsible and effective management (company's leadership, degree of independent directors, executive pay, independent audits and internal controls, shareholder rights). The Investment Manager's ESG approach also includes regular dialogue with companies, monitoring material ESG issues and voting proxies.

The Fund will not invest in fossil fuel producers, producers of controversial weapons (i.e., anti-personnel mines, nuclear weaponry, biological & chemical weaponry and cluster munitions) and companies that generate 5% or more of their revenues from tobacco, conventional weapons or nuclear power generation. The Fund will not invest in companies that violate the United Nations Global Compact Principles, international norms on human rights, labour rights, environment standards and anti-corruption statutes, according to the Investment Manager's analysis.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities. The Fund may further invest in time deposits, cash and Money Market Instruments. The Fund may also invest up to 10% of its net assets in units of undertaking for collective investments such as UCITS, Exchange Traded Funds ("ETFs") as well as other UCIs.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts (including futures based on equity, equity index, interest rate and currency), equity and equity index options, equity linked notes, as well as options (including covered calls and warrants).

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- invest in a Fund compliant with Article 9 of the SFDR
- invest in equity securities of global companies that provide solutions for the mitigation and/or adaptation of climate change risk, while seeking capital appreciation
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Foreign Currency risk
- Market risk
- Sustainability risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Emerging Markets risk
- Liquidity risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Templeton Investments Corp. and Franklin Templeton Investment Management Limited

The Investment Managers have delegated, under their responsibilities, all or part of the day-to-day conduct of their investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Templeton Global Advisors Limited, which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**TEMPLETON GLOBAL EQUITY INCOME FUND****Asset Class**

Equity Fund

**Base Currency**

US dollar (USD)

**Investment Objectives**

The Fund's investment objective is to provide a combination of current income and long-term capital appreciation.

**Investment Policy**

Under normal market conditions the Fund invests in a diversified portfolio of equity securities worldwide. The Fund seeks income by investing in stocks the Investment Manager believes offers attractive dividend yields. The Investment Manager seeks capital appreciation by searching for undervalued or out-of-favour securities offering current income or opportunities for future capital appreciation. Capital appreciation is sought by investing in equity securities of companies from a variety of industries and located anywhere in the world, including Emerging Markets.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as debt and fixed income securities.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including futures based on equity, equity index, interest rate, currency and government securities), as well as options (including covered calls). The Fund may also purchase participatory notes or equity-linked notes where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.

The Investment Manager may take a temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation and current income from their equity investments
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Liquidity risk
- Participatory Notes risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Asset Management Ltd.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GLOBAL FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its objective through a policy of investing in equity securities of companies throughout the world, including Emerging Markets. The Fund invests principally in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities, which are US dollar and non-US dollar denominated.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, futures contracts (including futures based on equity, equity index, interest rate and currency), forwards as well as options. Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in undervalued securities in a well-diversified global equity fund
- invest for the medium to long term

## **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Emerging Markets risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Liquidity risk
- Securities Lending risk

## **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

## **Investment Manager(s)**

Templeton Global Advisors Limited

## **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GLOBAL HIGH YIELD FUND**

### **Asset Class**

Fixed Income Fund

### **Base Currency**

US dollar (USD)

### **Investment Objectives**

The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

### **Investment Policy**

The Fund invests principally in debt securities (including non-investment grade securities) of issuers globally, including those in Emerging Markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities (including bank loans through regulated investment funds subject to the limits indicated below), bonds, mortgage- and other asset-backed securities (including collateralised debt obligations) and convertible securities. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. In addition, the Fund may invest in equity securities, credit-linked securities and money-market instruments and may seek exposure to floating-rate loans through regulated investment funds. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its net assets in securities in default.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- high level of income and prospects of capital appreciation by accessing a portfolio of high-yield debt securities from issuers worldwide
- invest for the medium to long term

## **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk

- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Restructuring Companies risk
- Securities Lending risk
- Securitisation risk
- Swap Agreements risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the J.P. Morgan Global High Yield Index (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%).

The Expected Level of Leverage for the Fund should amount to 120%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **TEMPLETON GLOBAL INCOME FUND**

#### **Asset Class**

Balanced Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is to maximise current income while maintaining prospects for capital appreciation.

#### **Investment Policy**

Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities worldwide. The Fund seeks income by investing in a portfolio of fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide, including in Emerging Markets, as well as stocks the Investment Manager believes offer attractive dividend yields. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may invest in investment-grade and non-investment grade debt securities issued by US and non-US issuers including securities in default. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including futures based on equity, equity index, interest rate, currency and government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may invest in fixed or floating-rate debt securities either directly or through regulated investment funds (subject to the limits indicated above). The Investment Manager may take a temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- a combination of current income and capital appreciation by accessing a portfolio of both equity and fixed income securities via a single fund
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Dividend Policy risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Securities Lending risk
- Swap Agreements risk

**Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the MSCI All Country World Index (50%), the Bloomberg Barclays Multiverse Index (25%), the Bloomberg Barclays Global High-Yield Index (12.5%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (6.25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (6.25%).

The Expected Level of Leverage for the Fund should amount to 120%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

**Investment Manager(s)**

Franklin Advisers, Inc. and Templeton Global Advisors Limited

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## TEMPLETON GLOBAL SMALLER COMPANIES FUND

### Asset Class

Equity Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

The Fund seeks to achieve its objective through a policy of investing in equity of smaller companies throughout the world, including Emerging Markets. The Fund invests principally in common stocks of such companies. For the purpose of the Fund's investment objective, smaller companies are normally those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI All Country World Small Cap Index ("**Index**"). The Fund may continue to hold securities that have grown to have a market capitalisation in excess of the range of the market capitalisations of companies included in the Index. Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

The Fund may also invest in debt obligations of smaller companies throughout the world, including emerging markets. Debt securities represent obligations of an issuer to repay loans where repayment terms of principal and interest are clearly specified, along with the lender's rights, in the loan agreement. These securities include bonds, notes and debentures.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in companies with larger market capitalisations, as well as in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities, which are US dollar and non-US dollar denominated.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts (including futures based on equity, equity index, interest rate and currency), equity and equity index options, equity linked notes, as well as options (including warrants).

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- long-term capital appreciation by investing in undervalued equity securities of small-cap companies located around the world
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Foreign Currency risk
- Liquidity risk
- Market risk
- Smaller and Midsize Companies risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Emerging Markets risk
- Securities Lending risk
- Warrants risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

### Investment Manager(s)

Templeton Investment Counsel, LLC

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Templeton Investments Corp., which acts as sub-investment manager.

### Fees Disclosures

Please refer to Appendix E for a full description of the fees.

## TEMPLETON GLOBAL TOTAL RETURN FUND

### Asset Class

Fixed Income Fund

### Base Currency

US dollar (USD)

### Investment Objectives

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

### Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations (including investment grade and non-investment grade securities) issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products (such as credit-linked securities, commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may also participate in mortgage dollar roll transactions. The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index-based financial derivatives and credit default swaps.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

### Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk



Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the Bloomberg Barclays Multiverse Index (50%), the Bloomberg Barclays Global High-Yield Index (25%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (12.5%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (12.5%).

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GLOBAL TOTAL RETURN II FUND**

#### **Asset Class**

Fixed Income Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

#### **Investment Policy**

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations (including investment grade and non-investment grade securities) issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. The use of financial derivative instruments for investment purposes, measured according to the approach defined in the Code on Unit Trust and Mutual Funds in Hong Kong, is limited to 50%. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products (such as credit-linked securities, commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may also participate in mortgage dollar roll transactions.

The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index-based financial derivatives and credit default swaps.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

#### **Exposure to total return swaps**

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Credit-Linked Securities risk
- Dividend Policy risk
- Structured Notes risk
- Swap Agreements risk

#### **Global Exposure**

The Value-at-Risk approach (relative VaR) is used to calculate the Global Exposure of the Fund.

The relative VaR reference benchmark is a blended benchmark consisting of the Bloomberg Barclays Multiverse Index (50%), the Bloomberg Barclays Global High-Yield Index (25%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (12.5%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (12.5%).

The Expected Level of Leverage for the Fund should amount to 200%. The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels. The leverage calculation method used is the Sum of Notionals. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets.

#### **Investment Manager(s)**

Franklin Advisers, Inc.

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

## **TEMPLETON GROWTH (EURO) FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

Euro (EUR)

#### **Investment Objectives**

The Fund's investment objective is capital appreciation.

#### **Investment Policy**

The Fund invests principally in equity securities including common stocks and preferred stocks of companies located anywhere in the world, including Emerging Markets.

Equity securities generally entitle the holder to participate in a company's general operating results. The Fund also invests in American, European, and Global Depository Receipts. These are certificates issued typically by a bank or a trust company that give their holders the right to receive securities issued by a foreign or domestic company. Depository Receipts do not eliminate currency and economic risks for underlying shares of a company operating in another country.

Depending upon current market conditions, the Fund may also invest up to 25% of its net assets in debt securities of companies and governments located anywhere in the world. Debt securities represent an obligation of the issuer to repay a loan of money to it and generally provide for the payment of interest. These include bonds, notes (including equity-linked notes) and debentures.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, futures contracts (including futures based on equity, equity index, interest rate and currency), forwards as well as options (such as equity options and equity index options). Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency.

In choosing equity investments, the Investment Manager focuses on the market price of a company's securities relative to its evaluation of the company's long-term earnings, asset value and cash flow potential, as well as on other measures that the Investment Manager deems appropriate to determine a company's value.

The name of the Fund reflects the base currency of the Fund being in euro and does not necessarily imply that any particular proportion of the Fund's net invested assets is made in euro.

The Fund may invest up to 10% of its net assets in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

#### **Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in undervalued securities in a well-diversified global equity fund with the euro as its base currency
- invest for the medium to long term

#### **Risk Considerations**

Principal risks to the Fund's investment strategy:

- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Market risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Counterparty risk
- Derivative Instruments risk
- Securities Lending risk
- Structured Notes risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Templeton Global Advisors Limited

#### **Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

### **TEMPLETON LATIN AMERICA FUND**

#### **Asset Class**

Equity Fund

#### **Base Currency**

US dollar (USD)

#### **Investment Objectives**

The Fund's investment objective is capital appreciation.

#### **Investment Policy**

The Fund seeks to achieve its objective, under normal market conditions, through a policy of investing primarily in equity securities and as an ancillary matter in debt securities of issuers incorporated or having their principal business activities in the Latin American region. The Latin American region includes, but is not limited to, the following countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, French Guyana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Trinidad/Tobago, Uruguay and Venezuela. The balance of the Fund's net assets may be invested in equity securities and debt obligations of companies and government entities of countries other than those named above.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities which are denominated in currencies other than Latin American currencies such as US dollar or euro.

**Exposure to securities lending transactions**

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

**Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities in Latin America, including Emerging Markets
- invest for the medium to long term

**Risk Considerations**

Principal risks to the Fund's investment strategy:

- Emerging Markets risk
- Foreign Currency risk
- Liquidity Risk

Other risks that may be relevant to the Fund:

- Class Hedging risk
- Convertible and Hybrid Securities risk
- Counterparty risk
- Frontier Markets risk
- Securities Lending risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

The Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund to Franklin Templeton Investimentos (Brasil) Ltda., which acts as sub-investment manager.

**Fees Disclosures**

Please refer to Appendix E for a full description of the fees.

**RISK CONSIDERATIONS**

Investors must read this "Risk Considerations" section before investing in any of the Funds.

The value of the Shares will increase as the value of the securities owned by any Fund increases and will decrease as the value of the Fund's investments decreases. In this way, Investors participate in any change in the value of the securities owned by the relevant Fund(s). In addition to the factors that affect the value of any particular security that a Fund owns, the value of the Fund's Shares may also change with movements in the stock and bond markets as a whole.

A Fund may own securities of different types, or from different asset classes (equities, bonds, Money Market Instruments, financial derivative instruments) depending on the Fund's investment objective.

Different investments have different types of investment risk. The Funds also have different kinds of risks, depending on the securities they hold. This "Risk Considerations" section contains explanations of the various types of investment risks that may be applicable to the Funds. Please refer to the section "Fund Information, Objectives and Investment Policies" of this Prospectus for details as to the principal risks applicable to each Fund. Investors should be aware that other risks may also be relevant to the Funds from time to time.

**General**

This section explains some of the risks that apply to all the Funds. It does not purport to be a complete explanation and other risks may also be relevant from time to time. In particular, the Company's performance may be affected by changes in market and/or economic and political conditions, and in legal, regulatory and tax requirements. No guarantee or representation is made that the investment program will be successful and there can be no assurance that the Fund(s)' investment objective(s) will be attained. Also, past performance is no guide to future performance, and the value of investments may go down as well as up. Changes in rates of exchange between currencies may cause the value of a Fund's investments to diminish or increase.

The Company or any of its Funds may be exposed to risks that are outside of their control – for example legal and regulatory risks from investments in countries with unclear and changing laws or the lack of established or effective avenues for legal redress or as a result of the registration of the Funds in non-EU jurisdictions, the Funds may be subject, without any notice to the shareholders in the Funds concerned, to more restrictive regulatory regimes potentially preventing the Funds from making the fullest possible use of the investment limits. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse. The Funds may be exposed to the risk of terrorist actions, to the risk that economic and diplomatic sanctions may be in place or imposed on certain States and military action may be commenced. The

impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. Investors are reminded that in certain circumstances their right to redeem Shares may be suspended as further described in Appendix D.

The Company or any of its Funds may be exposed to operational risks, being the risk that operational processes, including those related to the safekeeping of assets, valuation and transaction processing may fail, resulting in losses. Potential causes of failure may arise from human errors, physical and electronic system failures and other business execution risks as well as external events.

#### **African Markets risk**

Investments in Emerging Market countries involve risks as set out in the section "Emerging Markets risk" below. Investments in African Markets, or in companies that earn significant revenues or have major operations in Africa, involve risks similar to investments in Emerging Markets but to a greater extent, since African Markets are generally smaller, less developed and less accessible than most Emerging Markets. African Markets have had a tendency to experience greater political, social and economic instability, and may have less transparency, less ethical practices and weaker corporate governance compared to Emerging Markets. Shares traded on African Markets may be highly volatile, suffer from a lack of liquidity and transparency and have a higher financial risk. Many African Markets are also more dependent on extractive industries or agriculture, which can be impacted by volatility in the prices for the commodities being extracted or cultivated.

#### **Model risk**

The Investment Manager and/or Investment Co-Managers may use modeling systems to implement their investment strategies for a Fund. There is no assurance that the modeling systems are complete or accurate, or representative of future market cycles, nor will they necessarily be beneficial to the Fund even if they are accurate. The investment performance generated by these models may perform differently than anticipated and may negatively affect Fund performance. Human judgment plays a role in building, using, testing, and modifying the financial algorithms and formulas used in these models. Additionally, there is a possibility that the historical data may be imprecise or become stale due to new events or changing circumstances which the models may not promptly detect. Market performance can be affected by non-quantitative factors (for example, market or trading system dysfunctions, investor fear or over-reaction or other emotional considerations) that are not easily integrated into the Investment Manager's or Investment Co-Managers' risk models. There may also be technical issues with the construction and implementation of quantitative models (for example, software or other technology malfunctions, or programming inaccuracies).

#### **Chinese Market risk**

Risks associated with the Chinese Market are similar to the "Emerging Markets risk" described below. With the government having a greater control over allocation of resources, the risks that naturally prevail in this type of market is political and legal uncertainty, currency fluctuations and blockage, no government support on reform or nationalisation and expropriation of assets. Such risks can have a negative impact on the performance of the relevant Fund.

The Chinese market is undergoing economic reform, these reforms of decentralisation are unprecedented or experimental and subject to modification which may not always have a positive outcome on the performance of the economy and then the value of securities in the relevant Fund.

Securities traded in the Chinese markets may be subject to a range of reputational risks such as risks borne by companies being subject to cyber abuses, sanctions concerns and negative accusations over labor and human rights, environmental degradation, ties to high-risk countries and entities overseas.

The Chinese economy is also export driven and highly reliant on trade. Adverse changes in the economic conditions of its primary trading partners such as the US, Japan and South Korea would adversely impact the Chinese economy and the relevant Fund investments.

In recent years, political tensions within Hong Kong have risen. Such increased political tensions could have potential impacts on the political and legal structures in Hong Kong. They could also affect investor and business confidence in Hong Kong, which in turn could affect markets and business results.

There are also risk and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains realized on the Fund's investment in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.

Funds investing in the Chinese Market may also be subject to other specific risks listed below:

#### **China Bond Connect risk**

Bond Connect is a mutual market access scheme allowing overseas investors to trade in bonds circulated on the China Interbank Bond Market (CIBM) through connection between the Mainland and Hong Kong financial infrastructure institutions without quota limitations.

The Northbound Trading link commenced on 3 July 2017 with transactions being made possible through mutual access arrangements in respect of trading, custody and settlement. It involves China Foreign Exchange Trading System, China Central Depository & Clearing Co, Shanghai Clearing House, Hong Kong Exchanges & Clearing plus the Central Moneymarkets Unit (CMU). A delivery versus payment (DVP) settlement system for transactions through the Bond Connect scheme was implemented in August 2018 thereby reducing settlement risk.

The ultimate foreign eligible investors are the beneficial owners of the relevant CIBM bonds and may exercise their rights against the bond issuer through CMU as the nominee holder. The nominee holder may exercise its creditor rights and bring actions against bond issuers in Chinese courts.

CIBM securities traded via the Bond Connect can be subject to risks including but not limited to risk of default from counterparties, settlement risk, liquidity risk, operational risk, regulatory risks, PRC tax risk and reputational risk.

The Bond Connect encompasses recently developed trading systems. There can be no assurance that those systems will function correctly or will not be subject to further changes or adaptation.

Securities traded through the Bond Connect will also be subject to the risks described under "CIBM direct risk" below.

#### **CIBM direct risk**

Some funds may elect to trade directly on the on-shore China bond market (Chinese Interbank Bond Market or CIBM) as it gives access to a greater range of products and counterparties. The CIBM also allows trading in CNY as opposed to the Bond Connect where trades are executed in CNH.

Trading in the CIBM may bear specific risks where market volatility and potential lack of liquidity may result in prices of certain debt securities fluctuating significantly. Funds investing in such market are therefore subject to liquidity and volatility risks and may suffer losses in trading on-shore China bonds.

To the extent that a Fund transacts in the China interbank bond market in on-shore China, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

The China interbank bond market is also subject to regulatory risks: the relevant rules and regulations may be subject to change which may have potential retrospective effect. If the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, a Funds' ability to invest in the CIBM will be adversely affected. In such event, a Funds' ability to achieve its investment objective may be negatively affected.

There is no specific written guidance by the Mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in the CIBM by eligible foreign institutional investors via the Bond Connect.

#### **China QFII risk**

The Company may invest in China A-Shares either through a qualified foreign institutional investor (QFII) portfolios or directly through the QFII quota granted to a portfolio manager or sub-manager. Such QFII schemes are authorised by the China Securities Regulatory Commission of Mainland China thus permitting investments in the securities market of Mainland China (China A-Shares). The laws, regulations, including measures allowing QFIIs to invest in China A-Shares, government policies and political and economic climate in China may change with little or no advance notice. Any such change could adversely affect market conditions and the performance of the Chinese economy and, thus, the value of China A-Shares.

The redemption of the China A-Shares may depend, inter alia, on the Mainland China laws and practice affecting Investor's ability to liquidate investments and to remit the proceeds thereof out of Mainland China. The repatriation restrictions, and any failure or delay in obtaining relevant approvals from Chinese authorities could restrict the relevant portfolio's ability to satisfy all or any redemption requests in respect of any particular redemption date.

Investors in a Fund investing in QFII's portfolio and/or China A-Shares should in particular be informed that the liquidity of securities held by the Fund may be substantially limited and might therefore affect the Fund's ability to meet redemption requests.

#### **Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk**

Certain Funds may invest and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (together referred to as "Stock Connect"). Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), Shanghai Stock Exchange ("SSE") and China Securities Depository and Clearing Corporation Limited ("ChinaClear"). Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEx, Shenzhen Stock Exchange ("SZSE") and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between Mainland China and Hong Kong.

The Stock Connect comprises two Northbound Trading Links, one between SSE and Stock Exchange of Hong Kong Limited ("SEHK"), and the other between SZSE and SEHK. Stock Connect will allow foreign investors to place orders to trade eligible China A-Shares listed on the SSE ("SSE Securities") or on the SZSE ("SZSE Securities") (the SSE Securities and SZSE Securities collectively referred to as the "Stock Connect Securities") through their Hong Kong based brokers.

The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on the SEHK, except (i) those SSE-listed shares which are not traded in RMB and (ii) those SSE-listed shares which are included in the "risk alert board". The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time. The SZSE Securities include all the constituent stocks from time to time of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which has a market capitalization of at least RMB 6 billion, and all the SZSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except those SZSE-listed shares (i) which are not quoted and traded in RMB, (ii) which are included in the "risk alert board"; (iii) which have been suspended from listing by the SZSE; and (iv) which are in the pre-delisting period. The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time.

Further information about the Stock Connect is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/Documents/Investor\\_Book\\_En.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Documents/Investor_Book_En.pdf)

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A-Shares and regulatory risk.

#### *Quota limitations*

The programmes are subject to a daily quota limitation which may restrict a Funds' ability to invest in Stock Connect Securities through the programmes on a timely basis. In particular, once the Northbound daily quota is reduced to zero or the Northbound daily quota is exceeded during the opening call session, new buy orders will be rejected (although investors will be allowed to sell their cross-boundary securities regardless of the quota balance).

#### *Suspension risk*

Each of the SEHK, SZSE and SSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. In case of a suspension, the Funds' ability to access the Mainland China market will be adversely affected.

#### *Differences in trading day*

Stock Connect only operates on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement day. Due to the difference in trading days between the Mainland China and the Hong Kong markets, there may be occasions when it is a normal trading day for the Mainland China market but not in Hong Kong and, accordingly, the Funds cannot carry out any Stock Connect Securities trading. The Funds may therefore be subject to a risk of price fluctuations in China A-Shares during the periods when Stock Connect is not operational.

#### *Restrictions on selling imposed by front-end monitoring*

Mainland China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise both SZSE and SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

#### *Clearing settlement and custody risks*

Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("HKSCC") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("CSRC"). The chances of ChinaClear default are considered to be remote.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

The China A-Shares traded through Stock Connect are issued in scripless form, so investors, such as the relevant Funds, will not hold any physical China A-Shares. Hong Kong and overseas investors, such as the Funds, who have acquired Stock Connect Securities through Northbound trading should maintain the Stock Connect Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to the Stock Connect is available upon request at the registered office of the Company.

#### *Operational risk*

The Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("China Stock Connect System") to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The relevant Funds' ability to access the China A-Share market (and hence to pursue their investment strategy) will be adversely affected.

#### *Nominee arrangements in holding China A-Shares*

HKSCC is the "nominee holder" of the Stock Connect securities acquired by overseas investors (including the relevant Fund(s)) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Funds enjoy the rights and benefits of the Stock Connect securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in Mainland China may consider that any nominee or custodian as registered holder of Stock Connect securities would have full ownership thereof, and that even if the concept of beneficial owner is recognised under Mainland China law those SSE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant Fund(s) and the Depository cannot ensure that the Fund's ownership of these securities or title thereto is assured in all circumstances.

Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the Stock Connect securities in Mainland China or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognised, these Funds may suffer difficulties or delays in enforcing their rights in China A-Shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depository and the relevant Fund(s) will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that a Fund suffers losses resulting from the performance or insolvency of HKSCC.

#### *Investor compensation*

Investments of the relevant Funds through Northbound trading under the Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the relevant Funds are carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, therefore they are not protected by the China Securities Investor Protection Fund in Mainland China.

#### *Trading costs*

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Funds may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

#### *Mainland China tax consideration*

The Management Company and/or Investment Manager reserve the right to provide for tax on gains of the relevant Fund that invests in Mainland China securities thus impacting the valuation of the relevant Funds. With the uncertainty of whether and how certain gains on Mainland China securities are to be taxed, the possibility of the laws, regulations and practice in Mainland China changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Management Company and/or the Investment Manager may be excessive or inadequate to meet final Mainland China tax liabilities on gains derived from the disposal of Mainland China securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they purchased and/or sold their shares in/from the relevant Fund.

On 14 November 2014, the Ministry of Finance, State of Administration of Taxation and CSRC jointly issued a notice in relation to the taxation rule on the Stock Connect under Caishui 2014 No.81 ("Notice No.81"). Under Notice No.81, Corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (such as the Funds) on the trading of China A-Shares through the Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors (such as the Funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

#### *Regulatory risk*

The CSRC Stock Connect rules are departmental regulations having legal effect in Mainland China. However, the application of such rules is untested, and there is no assurance that Mainland China courts will recognise such rules, e.g. in liquidation proceedings of Mainland China companies.

The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The relevant Funds which may invest in the Mainland China markets through Stock Connect may be adversely affected as a result of such changes.

### **Class Hedging risk**

The Company may engage in currency hedging transactions with regard to a certain Share Class (the "Hedged Share Class"). Hedging transactions are designed to reduce, as much as possible, the currency risk for investors.

Any financial instruments used to implement such hedging strategies with respect to one or more Classes of a Fund shall be assets and/or liabilities of such Fund as a whole, but will be attributable to the relevant Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class. Any currency exposure of a Class may not be combined with or offset against that of any other Class of a Fund. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. No intentional leveraging should result from currency hedging transactions of a Class although hedging may exceed 100% by a small margin (as further detailed in the Hedged Share Classes sub-section) as in the case of a net investment flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

There is no guarantee that attempts to hedge currency risk will be successful and no hedging strategy can eliminate currency risk entirely. Should a hedging strategy be incomplete or unsuccessful, the value of that Fund's assets and income can remain vulnerable to fluctuations in currency exchange rate movements.

In the case of a net investment flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

Investors should be aware that there may be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the relevant Fund. The gains/losses on and the costs of such hedging transactions will accrue solely to the relevant Hedged Share Class.



This risk for holders of any Hedged Share Class may be mitigated by using any of the efficient portfolio management techniques and instruments (including currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps), within the conditions and limits imposed by the Luxembourg financial supervisory authority.

Investors should be aware that the hedging strategy may substantially limit Investors of the relevant Hedged Share Class from benefiting from any potential increase in value of the Share Class expressed in the reference currency(ies), if the Hedged Share Class currency falls against the reference currency(ies). Additionally, Investors of the Hedged Share Class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the associated transactions costs of the relevant financial instruments used to implement the hedging strategy. The gains/losses on and the transactions costs of the relevant financial instruments will accrue solely to the relevant Hedged Share Class.

Further, investors should be aware that the hedging strategy may act as a drag or boost to performance as a result of the Interest Rate Differential between the Hedged Share Class currency and the reference currency(ies). Where there is a positive Interest Rate Differential between the Hedged Share Class currency over the reference currency(ies) an increase in relative performance of the Hedged Share Class over the reference currency(ies) class may be observed. The opposite may be true and it should be noted that if the interest rate of the reference currency of the hedged share class is lower than the interest rate of the base currency of the Fund, the interest rate carry is likely to be negative and a decrease in relative performance of the Hedged Share Class may be observed.

More details as to the rules governing allocation of assets and liabilities at a Class level are contained in Appendix D.

### **Commodities Related Exposure risk**

A Fund's exposure to investments in commodities related instruments presents unique risks. Investing in commodities related instruments, including trading in commodities indices and financial derivative instruments related to commodities, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealised); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity.

Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity.

By focusing on the energy or materials sectors some Funds carry greater risks of adverse developments than a Fund that invests in a wider variety of industries. The securities of companies in the energy or materials sectors may experience more price volatility than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors.

Securities of companies involved in the extraction or commerce of energy and materials, such as oil, gas and precious metals, may operate in Countries with less developed markets and legal framework. Such companies may be more prone to risks linked to political instability, changes in taxation or regulation.

### **Concentration risk**

Some Funds may have an investment policy which specifically states an intention to maintain a portfolio with holdings in a relatively limited number of issuers or a concentrated allocation to a given economic sector, market segment or geographical area. By being less diversified, such Funds may be more volatile than broadly diversified Funds, or may be exposed to greater risk since under performance of one or a few positions, sectors or geographical areas will have a greater impact on the Funds assets. The relevant Funds may be adversely affected as a result of such greater volatility or risk.

### **Convertible and Hybrid Securities risk**

A convertible security is generally a debt obligation, preferred stock or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock at a specified conversion price. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock.

Hybrid securities are those that, like convertible securities described above, combine both debt and equity characteristics. Hybrids may be issued by corporate entities (referred to as corporate hybrids) or by financial institutions (commonly referred as contingent convertible bonds or "CoCos"). Hybrid securities are subordinated instruments that generally fall in the capital structure between equity and other subordinated debt, i.e. such securities will be the most junior securities above equity. Such securities will generally have a long maturity and may even be perpetual in nature. Coupon payments may be discretionary and as such may be cancelled by the issuer at any point, for any reason, and for any length of time. The cancellation of coupon payments may not amount to an event of default. Hybrid securities are callable at pre-determined levels. It cannot be assumed that hybrid securities, including perpetual securities, will be called on the call date. The investor may not receive return of principal on a given call date or on any date.

Contingent convertible securities issued by financial institutions ("CoCos"), which became popular following the 2008-2009 financial crisis as a way of mitigating the impact of stressed market conditions, have certain additional characteristics not typical of corporate hybrids. For CoCos, conversion is tied to a pre-specified trigger event based on the capital structure of the financial institution and/or to when the regulator deems the bank to be no longer viable. The contingent convertible bond may convert to equity or, alternatively, may be purely loss absorbing and convert to nothing. Trigger levels may differ from one issue to the next and the risk of conversion will depend on the distance of the capital ratio to the trigger level and/or the point at which the regulator deems the issuer no longer viable (i.e. the bonds are "bail-in-able" at the "point of non-viability" or PONV), making it difficult for the Investment Manager and/or Investment Co-Managers of the relevant Fund to anticipate the triggering events that would require the debt to convert into equity or be simply loss absorbing. It may also be difficult for the Investment

Manager and/or Investment Co-Manager to assess how the securities will behave upon conversion. Because conversion occurs after a specified event, conversion may occur when the share price of the underlying equity is less than when the bond was issued or purchased. Whereas traditional convertible securities are convertible at the option of the holder and the holder of such bonds will generally convert when the share price is higher than the strike price (i.e. when the issuer is doing well), CoCos tend to convert when the issuer is in crisis and needs additional equity or loss absorption in order to survive. As a result, there is greater potential for capital loss with CoCos compared to conventional convertible securities. The trigger could be activated through a material loss in capital as represented in the numerator or an increase in risk weighted assets (due to a shift to riskier assets) as measured in the denominator. Unlike for corporate hybrids, cancelled coupon payments do not generally accumulate and are instead written off. Holders of CoCos may see their coupons cancelled while the issuer continues to pay dividends on common equity, unlike the case of corporate hybrids which typically have so-called "dividend pusher/stopper clauses" which link the payment of hybrid coupons to equity dividends. CoCos may suffer from capital structure inversion risk, since investors in such securities may suffer loss of capital when equity holders do not in the event the pre-defined trigger is breached before the regulator deems the issuer non-viable (if the regulator declares non-viability before such a breach, the normal creditor hierarchy should apply). The value of CoCos may be subject to a sudden drop in value should the trigger level be reached. A Fund may be required to accept cash or securities with a value less than its original investment or, in the event of instances where the contingent convertible bond is intended to be only loss absorbing, the Fund may lose its entire investment.

### **Counterparty risk**

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause.

When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, repurchase agreements, security lending, etc.), the Company may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.

### **Credit risk**

Credit risk, a fundamental risk relating to all fixed income securities as well as Money Market Instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities.

### **Credit-Linked Securities risk**

Credit-linked securities are debt securities that represent an interest in a pool of, or are otherwise collateralised by one or more corporate debt obligations or credit default swaps incorporating debt or bank loan obligations. Such debt obligations may represent the obligations of one or more corporate issuers. A Fund that invests in credit-linked securities has the right to receive periodic interest payments from the issuer of the credit-linked security (usually the seller of the underlying credit default swap(s)) at an agreed-upon interest rate, and a return of principal at the maturity date.

A Fund that invests in credit-linked securities bears the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment in the credit-linked security, in the event that one or more of the debt obligations underlying the credit default swaps go into default or otherwise become non-performing. Upon the occurrence of such a credit event (including bankruptcy, failure to timely pay interest or principal, or a restructuring), the Fund affected will generally reduce the principal balance of the related credit-linked security by the Fund's pro rata interest in the par amount of the defaulted underlying debt obligation in exchange for the actual value of the defaulted underlying obligation or the defaulted underlying obligation itself, resulting in a loss of a portion of the Fund's investment. Thereafter, interest on the credit-linked security will accrue on a smaller principal balance and a smaller principal balance will be returned at maturity. To the extent a credit-linked security represents an interest in underlying obligations of a single corporate or other issuer, a credit event with respect to such issuer presents greater risk of loss to a Fund than if the credit-linked security represented an interest in underlying obligations of multiple issuers.

In addition, the Fund bears the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, the Fund may have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon.

An investment in credit-linked securities also involves reliance on the counterparty to the credit default swap entered into with the issuer of the credit-linked security to make periodic payments to the issuer under the terms of the swap. Any delay or cessation in the making of such payments may be expected in certain instances to result in delays or reductions in payments to the Fund as an investor in such credit-linked securities. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person.

Most credit-linked securities are structured as US Rule 144A securities so that they may be freely traded among institutional buyers. A Fund will generally only purchase credit-linked securities, which are determined to be liquid in the opinion of the Investment Manager and/or the Investment Co-Managers. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Fund could experience difficulty in selling such security at a price the Investment Manager and/or the Investment Co-Managers believes is fair.

The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to a Fund

are based on amounts received in respect of, or the value of performance of, any underlying debt obligations specified in the terms of the relevant credit default swap, fluctuations in the value of such obligation may affect the value of the credit-linked security.

#### **Custody risk**

Assets of the Company are safe kept by the custodian and Investors are exposed to the risk of the custodian not being able to fully meet its obligation to reconstitute in a short timeframe all of the assets of the Company in the case of bankruptcy of the custodian. The assets of the Company will be identified in the custodian's books as belonging to the Company. Securities and debt obligations (including loan assignments and loan participations) held by the custodian will be segregated from other assets of the custodian which mitigates but does not exclude the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy. The custodian does not keep all the assets of the Company itself but uses a network of sub-custodians which are not part of the same group of companies as the custodian. Investors are also exposed to the risk of bankruptcy of the sub-custodians. A Fund may invest in markets where custodial and/or settlement systems are not fully developed.

#### **Debt Securities risk**

All Funds that invest in debt securities or Money Market Instruments are subject to interest rate risk, credit risk, default risk and may be exposed to specific risks including but not limited to sovereign risk, high yield securities risk, restructuring risk and risk related to the use of credit ratings.

A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities.

Variable rate securities (which include floating-rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities.

Some Funds may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). These Funds may buy defaulted debt securities if, in the opinion of the Investment Manager and/or the Investment Co-Managers, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

Sovereign debt securities can be subject to risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt. There are generally no bankruptcy proceedings for sovereign debt. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. In the event of a default on sovereign debt, a Fund may have limited legal recourse against the defaulting government entity.

Funds may invest in Sovereign Debt issued by governments or government-related entities from countries referred to as Emerging Markets or Frontier Markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls.

Some Funds may invest in higher-yielding securities rated lower than investment grade. High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of loss, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally less liquid and their prices fluctuate more than higher-quality securities.

Some Funds may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations (including those involving bankruptcy). Such corporate events could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk.

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate. Recently, legislation and regulations to reform rating agencies have been proposed and may adversely impact the Fund's investments or investment process.

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When a Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates.

#### **Derivative Instruments risk**

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. A Fund may use options, futures, options on futures, and forward contracts on currencies, securities, indices, interest rates or other reference assets for hedging, efficient portfolio management and/or investment purposes. Derivative instruments involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. In the case of futures transactions, the amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to the risk of the purchaser exercising the option and the Fund will be obliged either to settle the option in cash

or to acquire or deliver the underlying investment. If the option is "covered" by the Fund holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund's risk of loss is limited to the net amount due (please also refer to "Swap Agreements risk").

Certain derivatives have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that a Fund may not realise the intended benefits. Their successful use will usually depend on the Investment Manager's and/or Investment Co-Managers' ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, a Fund may not achieve the anticipated benefits of the transaction, and it may realise losses, which could be significant. If the Investment Manager or Investment Co-Manager is not successful in using such derivative instruments, a Fund's performance may be worse than if the Investment Manager or Investment Co-Manager did not use such derivative instruments at all. To the extent that a Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

A Fund may engage in transactions involving derivative instruments that trade on exchanges or that may be privately negotiated and trade "over-the-counter" (OTC) and not on an exchange. Exchange-traded derivatives include futures, options, options on futures, and warrants. Examples of OTC derivative instruments include currency forwards, interest rate swaps, credit default swaps, total return swaps or contracts for differences. Use of such OTC instruments could result in a loss if the counterparty to the transaction (with respect to forward currency contracts and other OTC derivatives) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Collateral is employed for many OTC derivative transactions – it needs to be transferred to the counterparty if a Fund has a net loss on a given transaction and a Fund may hold collateral received from the counterparty to the Fund if the Fund has a net gain on a given transaction. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund or will not be absorbed by other outstanding obligations of the counterparty. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that a Fund is unable to close out a position because of market illiquidity, the Fund may not be able to prevent further losses of value in its derivatives holdings and the Fund's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. A Fund may also be required to take or make delivery of an underlying instrument that the Investment Manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while a Fund may intend to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the Investment Manager and/or Investment Co-Managers elects not to do so due to availability, cost or other factors.

Financial derivative instruments may be used for, among other purposes, synthetic short selling. According to the Law of 17 December 2010, the short selling of securities or any physical instrument is not permitted. In order to replicate short exposure either for investment purposes or to hedge a long position in the same or a similar asset, synthetic short selling can be accomplished through the use of derivatives. The purchase of credit default swaps (CDS), for example, for a particular issuer without owning a debt obligation of that issuer effectively results in the Fund having a short exposure to that issuer. The Fund may also purchase credit default swaps to hedge an existing position in the same issuer. Purchasing a put option on a stock, debt obligation, or a currency without owning the stock, debt obligation or currency is also effectively going short (and again such a transaction may be entered into for the purpose of hedging an existing position). The only investment at risk in such strategies is the premium paid for the CDS or option, unlike the case of going short actual stocks, bonds or currencies where the full investment in such assets is at risk. Another synthetic short selling strategy is the selling of interest rate futures which will benefit from a rise in interest rates, thereby replicating going short interest rates. Where premium is paid for such synthetic short selling strategies (e.g. for credit default swaps or put options), there is the possibility of losing the entire investment if no credit event occurs (in the case of credit default swaps) or the option expires worthless (because the underlying asset did not fall below the strike price). Where a futures contract is entered into (e.g. selling interest rate futures), the potential loss is governed by the degree to which interest rates move down instead of up, the conversion factor applied vis-à-vis the basket of eligible securities, the time to delivery, and the notional amount associated with the contract. Additional strategies similar to these may be implemented with similar consequences and potential risks. Risk is mitigated by virtue of daily adjustment of variation margin and/or the maintenance of eligible collateral against the position. There is no assurance that such synthetic short selling strategies as described herein will be as effective in achieving short exposure for investment or hedging purposes as actual short selling strategies.

Under recent financial reforms, certain types of derivatives (i.e., certain swaps) are, and others eventually are expected to be, required to be cleared through a central counterparty. Central clearing is designed to reduce counterparty credit risk and increase liquidity compared to OTC swaps, but it does not eliminate those risks completely. With cleared swaps, there is also a risk of loss by a Fund of its initial and variation margin deposits in the event of bankruptcy of the FCM with which the Fund has an open position in a swap contract. If an FCM does not provide accurate reporting, the Fund is also subject to the risk that the FCM could use the Fund's assets to satisfy its own financial obligations or the payment obligations of another customer to the central counterparty. With cleared swaps, a Fund may not be able to obtain as favourable terms as it would be able to negotiate for a bilateral, uncleared swap. In addition, an FCM may unilaterally amend the terms of its agreement with a Fund, which may include the imposition of position limits or additional margin requirements with respect to the Fund's investment in certain types of swaps. Central counterparties and FCMs generally can require termination of existing cleared swap transactions at any time, and can also require increases in margin above the margin that is required at the initiation of the swap agreement.

The regulation of cleared and uncleared swaps, as well as other derivatives, is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, regulators and exchanges in many jurisdictions are authorised to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. It is not possible to predict fully the effects of current or future regulation. New requirements, even if not directly applicable to a Fund, may increase the cost of a Fund's investments and cost of doing business, which could adversely affect investors.

The use of derivative strategies may also have a tax impact on a Fund. The timing and character of income, gains or losses from these strategies could impair the ability of the Investment Manager or Investment Co-Manager to utilise derivatives when it wishes to do so.

#### **Dilution and Swing Pricing risk**

The actual cost of purchasing or selling the underlying investments of a Fund may be different from the carrying value of these investments in the Fund's valuation. The difference may arise due to dealing and other costs (such as taxes) and/or any spread between the buying and selling prices of the underlying investments.

These dilution costs can have an adverse effect on the overall value of a Fund and thus the Net Asset Value per Share may be adjusted in order to avoid disadvantaging the value of investments for existing Shareholders. The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

#### **Distressed Securities risk**

Investment in distressed securities may cause additional risks for a Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and principal or maintain other terms of the offer documents over any long period of time. Distressed securities are commonly understood as securities issued by companies undergoing financial pressure due to possible bankruptcy, restructuring, or other financial turmoil. Changing market conditions may have a greater adverse impact on such securities and a portfolio holding substantial amounts of distressed securities may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of interest and principal may involve additional cost for the relevant Fund. Under such circumstances, the returns generated from the relevant Fund's investments may not compensate the shareholders adequately for the risks assumed.

For the purpose of this Prospectus, distressed securities are to be understood as including defaulted securities, and securities that are being rated CCC or below by at least 2 ratings agencies, or if unrated, their equivalent and have a credit spread above 1,000 bps. However, with respect to securities with a credit spread higher than 1000 bps (irrespective of their credit rating), the Investment Manager will proceed to additional analyses and verifications notably based on the evolution of the security's credit spread and the rating provided by other credit agencies in order to assess whether this security should be requalified as a distressed security. This procedure is further described in the Management Company's risk management process.

#### **Distribution risk**

Distribution of dividends, if any, is not guaranteed. Only shareholders whose names are entered on the relevant record date shall be entitled to the distribution declared in respect of the corresponding quarterly, interim or annual accounting period, as the case may be. The net asset value of the relevant Fund will be reduced by the amount of dividend paid.

#### **Dividend-paying Equity risk**

There can be no guarantee that the companies that a Fund invests in and which have historically paid dividends will continue to pay dividends or to pay dividends at the current rates in the future. The reduction or discontinuation of dividend payments may have a negative impact on the value of the Fund's holdings and consequently, the Fund/investors may be adversely impacted.

#### **Dividend Policy risk**

Certain Funds, particularly those that pursue investment strategies seeking to generate income, may have a dividend policy that allows for payment of dividends out of capital as well as from income and net realised and net unrealised capital gains. Where this is done, while it may allow for more income to be distributed, it also amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. This has the effect of reducing capital and the potential for long-term capital growth as well as increasing any capital losses. Examples of when this may occur include:

- if the securities markets in which the Fund invests were sufficiently declining so that the Fund has incurred net capital losses;
- if dividends are paid gross of fees and expenses such that fees and expenses are paid out of net realised and net unrealised capital gains or initially subscribed capital.

Any distribution of dividends made partially or entirely out of the Fund's capital may reduce capital growth and may result in an immediate reduction of the net asset value per share. See also "Taxation of the Company" section below.

#### **Emerging Markets risk**

All Fund investments in the securities issued by corporations, governments, and government related entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and Emerging Markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

In particular, in respect of high-risk emerging market countries, the Net Asset Value, the marketability and the returns derived from a particular Fund's investments may be significantly affected by uncertainties such as political or diplomatic developments, social and religious instability,

changes in government policies, taxation and interest rates, currency conversion and repatriation, and other political, economic, legislative or regulatory developments in emerging markets and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level of foreign ownership. All of these events may adversely affect the overall investment climate and, in particular investment opportunities for the relevant Fund. The denomination "Emerging Markets" covers a wide range of countries with differing economic and political situations. A degree of portfolio concentration in high-risk emerging market countries will entail greater exposure to the risks described above for a given portfolio.

### **ESG Regulatory Risk**

The regulatory framework with respect to sustainable investments is constantly developing and evolving. The lack of common or harmonised definitions and labels regarding ESG and sustainability criteria or clear guidelines on the required level of disclosure may result in different approaches by asset managers when integrating ESG and sustainability criteria into investment decisions and updating the marketing documentation of an investment vehicle. Therefore, a degree of subjectivity is required and this will mean that a Fund may invest in a security that another asset manager or an investor would not and the level of disclosure in the Company's marketing documentation may be more or less detailed than the disclosure inserted in the marketing documentation of other investment vehicles. Hence, it may be difficult to compare investment vehicles, with ostensibly similar objectives as these investment vehicles will employ different security selection and exclusion criteria. Consequently, the performance profile of otherwise similar investment vehicles may deviate more substantially than might otherwise be expected. This also means that the approach which has been subjectively selected may potentially differ from positions adopted at a later stage at EU level or by national supervisory authorities, which might entail a reputational risk or be considered as involuntary greenwashing.

### **Floating Rate Corporate Investment risk**

The floating rate corporate loans and corporate debt securities in which the Fund invests are often issued in connection with highly leveraged transactions. Such transactions include leveraged buyout loans, leveraged recapitalisation loans, and other types of acquisition financing. Leveraged buyout loans are subject to greater credit risks than other investments including a greater possibility that the borrower may default or enter bankruptcy. Some of these loans may be "covenant lite" loans which do not include terms which allow the lender to control and track the performance of the borrower and declare a default if certain criteria are breached.

### **Foreign Currency risk**

Since the Company values the portfolio holdings of each of its Funds in either US dollar, Japanese yen or euro, changes in currency exchange rates adverse to those currencies may affect the value of such holdings and each respective Fund's yield thereon.

Since the securities, including cash and cash equivalents, held by a Fund may be denominated in currencies different from its base currency, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Shares, and also may affect the value of dividends and interests earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

To the extent that a Fund or any Share Class seeks to use any strategies or instruments to hedge or to protect against currency exchange risk, there is no guarantee that hedging or protection will be achieved. Unless otherwise stated in any Fund's investment policy, there is no requirement that any Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction.

Currency management strategies may substantially change a Fund's exposure to currency exchange rates and could result in losses to the Fund if currencies do not perform as the Investment Manager expects. In addition, currency management strategies, to the extent that they reduce the Fund's exposure to currency risks, may also reduce the Fund's ability to benefit from favourable changes in currency exchange rates. There is no assurance that the Investment Manager's use of currency management strategies will benefit the Fund or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to the Fund's holdings, further increases the Fund's exposure to foreign investment losses.

Investors should be aware of the fact that the Chinese Renminbi (RMB) is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is freely tradable. Whilst the RMB is traded freely outside Mainland China, the RMB spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving market. Accordingly, Alternative Currency Classes denominated in RMB may be exposed to greater foreign exchange risks.

### **Frontier Markets risk**

Investments in Emerging Market countries involve risks as set out in the section "Emerging Markets risks" above. Investments in Frontier Markets involve risks similar to investments in Emerging Markets but to a greater extent since Frontier Markets are even smaller, less developed, and less accessible than other Emerging Markets. Frontier Markets may also experience greater political and economic instability and may have less transparency, less ethical practices, and weaker corporate governance compared to other Emerging Markets and the relevant Fund/Investors may be adversely impacted. Such markets are also more likely to have investment and repatriation restrictions, exchange controls and less developed custodial and settlement systems than other Emerging Markets. The countries that comprise Frontier Markets include the lesser developed countries located in Africa, Asia, the Middle East, Eastern Europe and Latin America. As a result, the relevant Fund/Investors may be adversely impacted.

### **Hedged Strategies risk**

For the Franklin K2 Alternative Strategies Fund, the Investment Manager will be employing a number of Investment Co-Managers to implement various non-traditional or "alternative" strategies, including strategies characterised as "Long Short Equity", "Event Driven",

"Global Macro", "Market Neutral" or "Relative Value", that involve "hedging" or "arbitrage" activities and that are designed to capture value in a non-directional market. These strategies in no respect should be taken to imply, however, that the Fund's investments employed in such strategies will be without risk. Substantial losses may be recognised even on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the position not being the "hedge" that was intended, resulting in potential losses for the Fund. These strategies involve exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds, or the price spread between different classes of stock for the same underlying firm. Further, many "market neutral" Investment Co-Managers may employ limited directional strategies that expose the assets they manage to certain market risks.

#### **Inflation-Indexed Securities risk**

Inflation-indexed securities have a tendency to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates lowered by the anticipated effect of inflation. In general, the price of an inflation-indexed security can decrease when real interest rates increase, and can increase when real interest rates decrease. Interest payments on inflation-indexed securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable, therefore, the Fund's income distributions may fluctuate more than the income distributions of a typical fixed income fund. There can be no assurance that the Consumer Price Index or any other measure used to adjust the principal amounts of the Fund's debt securities will accurately correspond to the rate of inflation experienced by a particular investor. Any increase in the principal amount of an inflation-protected debt security will be considered taxable ordinary income, even though investors, such as the Fund, do not receive their principal until maturity.

#### **Initial Public Offerings risk**

Some Funds may invest in initial public offerings ("IPOs"). IPO risk is the risk that the market values of IPO shares may experience high volatility from factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. Additionally, a Fund may hold IPO shares for a very short period of time, which may increase a Fund's expenses. Some investments in IPOs may have an immediate and significant impact on a Fund's performance.

#### **Underlying Investment Funds risk**

A Fund's performance is directly impacted by the performance of any Investment Funds held by it. The ability of a Fund to achieve its investment goal is directly related to, in part, the ability of the Underlying Investment Funds to meet their investment goal.

Investing in other Investment Funds may be more costly to a Fund than if the Fund had invested in the underlying securities directly. Shareholders of the Fund will indirectly bear the fees and expenses (including management and advisory fees and other expenses) of the underlying Investment Funds. The determination of Net Asset Value of the Shares of any particular Underlying Investment Fund held by a Fund may be suspended under certain conditions as indicated in Appendix D ("Suspension of Calculation of Net Asset Value"). In the event this were to happen, it could impede the ability of a Fund to meet a redemption request.

An Underlying Exchange Traded Fund ("ETF") may trade at a premium or discount to its net asset value, as shares of an ETF are bought and sold on exchanges their values may fluctuate due to factors not related to their net asset value.

#### **Legal and regulatory risk**

The Funds must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions, including the Grand Duchy of Luxembourg.

The interpretation and application of legislative acts can be often contradictory and this may impact the enforceability of the various agreements and guarantees entered into by the Funds. Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public. The interpretation and application of laws and regulations can be often contradictory and uncertain particularly in respect of matters relating to taxation.

Courts may not adhere to the requirements of the law and the relevant contract and it cannot be guaranteed that any recourse or judgment obtained in a foreign court will be enforced in certain jurisdictions where the assets relating to securities held by the Funds are located.

#### **Liquidity risk**

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of a Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Markets where the Fund's securities are traded could also experience such adverse conditions as to cause exchanges to suspend trading activities. Reduced liquidity due to these factors may have an adverse impact on the Net Asset Value of the Fund and, as noted, on the ability of the Fund to meet redemption requests in a timely manner.

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

#### **Market risk**

The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer, a particular industry or

sector, such as changes in production costs and competitive conditions within an industry or a specific country. Unexpected events such as natural or environmental disasters (earthquakes, fires, floods, hurricanes, tsunamis) and other severe weather-related phenomena generally, or widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies of individual companies, sectors, industries, nations, markets and adversely impacting currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Fund's investments. Given the interdependence among global economies and markets, conditions in one country, market, or region are likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries. These disruptions could prevent the Fund from executing advantageous investment decisions in a timely manner and could negatively impact the Fund's ability to achieve its investment objective.

During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance. All investments in financial markets may decrease in value.

#### **Multi-Manager risk**

The Investment Manager of certain Funds may seek to achieve their investment objectives through the careful selection of two or more investment co-managers ("Investment Co-Managers"). The Investment Manager may also take part in managing the assets of such Funds in addition to selecting and allocating to the Investment Co-Managers. The Investment Co-Managers may be affiliates of the Investment Manager or may be completely independent of the Investment Manager, but subject to careful due diligence on the part of the Investment Manager as part of the selection process.

The Franklin K2 Alternative Strategies Fund in particular intends to achieve its investment objective by allocating its assets across multiple non-traditional or "alternative" strategies including, but not limited to, Long Short Equity, Relative Value, Event Driven, and Global Macro. The Fund intends to use multiple Investment Co-Managers to implement this strategy.

There is the risk that the Investment Co-Managers selected will not effectively implement the intended investment strategy for which the Investment Co-Manager was selected. In addition, the Investment Co-Managers make their investment decisions independently of one another, and as a result may make decisions that conflict with each other. For example, it is possible that an Investment Co-Manager may purchase a security for the Fund at the same time that another Investment Co-Manager sells the same security, resulting in higher expenses without accomplishing any net investment result; or that several Investment Co-Managers purchase the same security at the same time, without aggregating their transactions, resulting in higher expenses. Moreover, the Fund's multi-manager approach may result in the Fund investing a significant percentage of its assets in certain types of securities, which could be beneficial or detrimental to the Fund's performance depending on the performance of those securities and the overall market environment. The Investment Co-Managers may underperform the market generally or underperform other investment managers that could have been selected for the Fund.

#### **Nomineeship risk**

The legislative framework in some markets is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in securities. Consequently, the courts in such markets may consider that any nominee or custodian as registered holder of securities would have full ownership thereof and that a beneficial owner may have no rights whatsoever in respect thereof.

Investors' attention is drawn to the fact that any Investor will only be able to fully exercise his Shareholder's rights directly against the Company, if the Investor is registered himself in the Company's Shareholders' register. In cases where an Investor invests in the Company through a Nominee type of intermediary, which invests into the Company in its own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investor investing through a Nominee type of intermediary or custodian must notably be aware that in case of discontinuity in the operation of such intermediary or custodian, whether due to insolvency, bankruptcy or other cause, there is a risk of delay in the ability to exercise rights or even loss of rights. Investors are advised to take advice on their rights.

#### **Non-Regulated Markets risk**

Some Funds may invest in securities of issuers in countries whose markets do not qualify as Regulated Markets due to their economic, legal or regulatory structure, and therefore these Funds may not invest more than 10% of their net assets in such securities.

#### **Participatory Notes risk**

Participatory Notes also known as P-Notes are financial instruments that may be used by some Funds to obtain exposure to an equity investment, including common stocks and warrants, in a local market where direct ownership is not allowed. Investment in Participatory Notes may involve an OTC transaction with a third party. Therefore Funds investing in Participatory Notes may be exposed not only to movements in the value of the underlying equity, but also to the risk of counterparty default, which may in the event of counterparty default result in the loss of the full market value of the equity.

#### **Performance Fee risk**

The Management Company may be entitled to a Performance Fee. Whilst the key objectives of the Performance Fee are to further strengthen the alignment of interest between the Management Company and the Investors and to reward outperformance, the Performance Fee may create an incentive for the Management Company and its delegates to make riskier investments and trades than they would have done in the absence of a Performance Fee.

On certain sub-funds, the Management Company may be entitled to a Performance Fee which will be based on realised and unrealised gains. Investors should be aware that there is an inherent risk that Performance Fees may be paid on unrealised gains which may never ultimately be realised.

#### **Portfolio Turnover risk**



The Investment Manager and/or the Investment Co-Managers may sell a security or enter into or close out of a derivative position when it believes it is appropriate to do so, regardless of how long the Fund has held the instrument. These activities increase the Fund's portfolio turnover and may increase the Fund's transaction costs.

#### **Real Assets risk**

Funds investing in real assets securities, or securities linked to real assets, will be subject to specific risks linked to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. Real Assets markets performance may show little correlation to equity and bond markets. There is a risk that funds investing in real assets may perform poorly in an otherwise favourable economic environment.

Securities of real estate investment trusts ("REITs") may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT's performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay a rent or poor management. A REIT's performance also depends on the company's ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

Securities of infrastructure companies are securities of companies whose primary business is in infrastructure-related activities, including the design, construction, operation or maintenance of seaports, airports, railways, roadways, pipelines, energy generation facilities (coal, oil, nuclear, hydro or solar powered), electricity transmission, water treatment plants, or related activities to these businesses. Such companies may experience volatility due to challenges such as getting the necessary permits, obtaining environmental clearances, meeting regulatory standards, requirements or guidelines, or being impacted by the level of economic activity, weather, natural disasters, governmental actions, civil disturbances, or acts of terrorism. By virtue of being concentrated in this one sector, a Fund may experience greater volatility compared to funds that follow a more diversified investment policy.

#### **Reinvestment of Collateral risk**

Following reinvestment of collateral as defined in Appendix B. 3 of this Prospectus "Financial Derivative Instruments", the entirety of the risk considerations set out in this section regarding regular investments apply.

#### **Repurchase and Reverse Repurchase Transactions risk**

The entering by the Company into repurchase or reverse repurchase agreements transactions, as contemplated in Appendix B.4 of this Prospectus "Use of Techniques and Instruments relating to Transferable Securities and Money Market Instruments" involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that (1) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (2) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Fund to meet sale requests, security purchases or, more generally, reinvestment; and that (3) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of the Prospectus.

The collateral received by the Company in respect of repurchase agreements transactions may be cash, US Government or Agency Treasury bills, Treasury notes or Treasury bond supported by the full faith and credit of the US government or EU Government or Agency (including supranational agencies) bonds. Any incremental income generated from repurchase agreement transactions will be accrued to the relevant Fund.

In a reverse repurchase transaction, a Fund could incur a loss if the value of the purchased securities has decreased in value relative to the value of the cash or margin held by the relevant Fund.

#### **Restructuring Companies risk**

Some Funds may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations (including those involving bankruptcy) or as to which there exist tender or exchange offers, and may participate in such transactions; they may also purchase indebtedness and participations therein, both secured and unsecured, of debtor companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks. The companies involved in reorganisation or financial restructuring tend to have a relatively weak financial position and may also be subject to the risks that the restructuring could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk.

#### **Reuse of Collateral and Financial Instruments risk**

In accordance with market standard OTC derivative, securities lending, repurchase or reverse repurchase master agreements, when securities are transferred to the counterparty, the counterparty will obtain, either (i) a full legal title to the securities it receives, under a title transfer collateral arrangement; or (ii) a right to use the securities it receives, under a security collateral arrangement.

As required by Article 15 of the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) N° 648/2012, the Fund will be informed in writing by its counterparties of the risks and consequences that may be involved in either (i) concluding a title transfer collateral arrangement; and (ii) granting a right of use of collateral provided under a security collateral arrangement; as summarized below:

- All rights, including any proprietary rights that the Fund may have had, in those financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant master agreement;

- The counterparty will not hold financial instruments in accordance with client asset rules and any asset protection rights will not apply (for example, the financial instruments will not be segregated from the counterparty's assets and will not be held subject to a trust);
- If the counterparty enters insolvency or defaults under the relevant master agreement the Fund's claim against the counterparty for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant master agreement and applicable law and, accordingly, the Fund may not receive such equivalent financial instruments or recover the full value of the financial instruments (although the Fund's exposure may be reduced to the extent that the counterparty has liabilities to it which can be set off or netted against or discharged by reference to the counterparty's obligation to deliver equivalent financial instruments to the Fund);
- In the event that a resolution authority exercises its powers under any relevant resolution regime in relation to a counterparty any rights the Fund may have to take any action against the counterparty, such as to terminate the relevant master agreement, may be subject to a stay by the relevant resolution authority and:
  - a. the Fund's claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity; or
  - b. a transfer of assets or liabilities may result in the Fund's claim on the counterparty, or the counterparty's claim on the Fund, being transferred to different entities although the Fund may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;
- Subject to the terms of the relevant master agreement, (i) the Fund will not be entitled to exercise any voting, consent or similar rights attached to the financial instruments and (ii) the counterparty will have no obligation to inform the Fund of any corporate events or actions in relation to those financial instruments;
- If the counterparty is unable to readily obtain equivalent financial instruments to deliver to the Fund at the time required, the Fund may be unable to fulfil its settlement obligations under any other transaction it has entered into in relation to those financial instruments;
- The Fund will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those financial instruments, although the Fund may be credited with a payment by reference to such dividend, coupon or other payment (a "manufactured payment");
- The tax treatment applicable to (i) financial instruments (and any equivalent financial instruments) that have been transferred or used as collateral and (ii) manufactured payments may differ from the tax treatment in respect of the original dividend, coupon or other payment in relation to those financial instruments.

#### **Russian and Eastern European Markets risk**

Securities of issuers in Russia, countries of Eastern Europe as well as the New Independent States such as Ukraine and the countries under the influence of the former Soviet Union in the past involve significant risks and special considerations, which are not typically associated with investing in securities of issuers in the EU Member States and the United States of America. They are additional to the normal risks inherent in any such investments and include political, economic, legal, currency, inflation and taxation risks. For example there is a risk of loss due to lack of adequate systems for transferring, pricing, accounting for and safekeeping or record keeping of securities.

In particular, the Russian market presents a variety of risks in relation to the settlement and safekeeping of securities. These risks result from the fact that physical securities do not exist; as a consequence, the ownership of securities is evidenced only on the issuer's register of shareholders. Each issuer is responsible for the appointment of its own registrar. The result is a broad geographic distribution of several hundred registrars across Russia. Russia's Federal Commission for Securities and Capital Markets (the "Commission") has defined the responsibilities for registrar activities, including what constitutes evidence of ownership and transfer procedures. However, difficulties enforcing the Commission's regulations mean that the potential for loss or error still remains and there is no guarantee that the registrars will act according to the applicable laws and regulations. Widely accepted industry practices are actually still in the process of being established.

When registration occurs, the registrar produces an extract of the register of shareholders as at that particular point in time. Ownership of Shares is vested in the records of the registrar but is not evidenced by the possession of an extract of the register of shareholders. The extract is only evidence that registration has taken place. However, the extract is not negotiable and has no intrinsic value. In addition, a registrar will typically not accept an extract as evidence of ownership of Shares and is not obliged to notify the Depositary or its local agents in Russia, if or when it amends the register of shareholders. Russian securities are not on physical deposit with the Depositary or its local agents in Russia. Similar risks apply in respect of the Ukrainian market.

Therefore, neither the Depositary nor its local agents in Russia or in Ukraine can be considered as performing a physical safekeeping or custody function in the traditional sense. The registrars are neither agents of, nor responsible to, the Depositary or its local agents in Russia or in Ukraine. The Depositary's liability only extends to its own negligence and wilful default and to that caused by negligence or wilful misconduct of its local agents in Russia or in Ukraine, and does not extend to losses due to the liquidation, bankruptcy, negligence or wilful default of any registrar. In the event of such losses the Company will have to pursue its rights directly against the issuer and/or its appointed registrar. However, securities traded on the Moscow Exchange MICEX-RTS can be treated as investment in securities dealt on a Regulated Market.

In April 2013, Russia implemented the new National Settlement Depository ("NSD") as Russia's central securities depository ("CSD") in an effort to overhaul its share registration system. The NSD is regulated by Russia's securities regulator, the Federal Service for Financial Markets ("FSFM"). The Depositary has now confirmed that all Funds' positions of eligible securities were moved to the NSD.

The recent implementation of the NSD as Russia's CSD has alleviated the major concerns which prompted the Russia Custody Letters. All Russian securities transfers and settlements are now required to take place on the CSD system which has specific rules on the finality of these transactions. As a result, all securities transactions are recorded in one central system and not merely in the books of various private registrars.

#### **Securities Lending risk**

The entering by the Company into securities lending transactions, as contemplated in Appendix B.4 of this Prospectus "Use of Techniques and Instruments relating to Transferable Securities and Money Market Instruments" involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that in case of default, bankruptcy or insolvency of the borrower of securities lent by a Fund, there is a risk of delay in recovery (that may restrict the ability of a Fund to meet delivery obligations under security sales or payment obligations arising from sale requests) or even loss of rights in collateral received, which risks are mitigated by a careful creditworthiness analysis of borrowers to determine their degree of risk for said borrowers to become involved in insolvency/bankruptcy proceedings within the timeframe contemplated by the loan. If the borrower of securities lent by a Fund fails to return these securities there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral or the illiquidity on the market in which the collateral is traded.

A Fund may reinvest the cash collateral received from borrowers. There is a risk that the value or return of the reinvested cash collateral may decline below the amount owed to those borrowers, and those losses may exceed the amount earned by the Fund on lending the securities.

### **Securitisation risk**

A securitisation, as defined in the article 2 of Regulation (EU) 2017/2402 of the European Parliament and of the council of 12 December 2017 is a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is tranced, having all of the following characteristics: (i) payments in the transaction or scheme are dependent upon the performance of the exposure or of the pool of exposures; (ii) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; (iii) the transaction or scheme does not create exposures which possess all of the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013.

Securitisation encompasses a wide-range of assets including "Asset-backed Securities", "Collateralised Debt Obligations" and "Mortgage-backed Securities".

A Securitisation is composed of multiple tranches, usually spanning from the equity tranche (highest risk) to the senior tranche (the lowest risk). The performance of each tranche is determined by the performance of the underlying assets or "collateral pool".

The collateral pool can encompass securities with different credit qualities, including high-yield securities and junk bonds, and the credit rating of the tranche is not reflective of the quality of the underlying assets.

Mortgage-backed securities differ from conventional debt securities in that principal is paid back over the life of the security rather than at maturity, as the underlying mortgages are subject to unscheduled pre-payments of principal before the security's maturity date due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid over par at the time of purchase. Mortgage pre-payments generally increase when interest rates fall.

Mortgage-backed securities also are subject to extension risk. An unexpected rise in interest rates could reduce the rate of pre-payments on mortgage-backed securities and extend their life. This could cause the price of the mortgage-backed securities to be more sensitive to interest rate changes. Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default.

Collateralised Mortgage Obligations (CMOs) are securities backed by a pool of mortgage pass-through securities or actual mortgage loans that are structured into various tranches with varying maturities and varying priorities in terms of their access to the principal and interest payments from the underlying assets. Such securities will have, depending on the tranches, varying degrees of pre-payment risk and credit risk, depending on their priority in the capital structure. The shorter, more senior tranches will generally be lower risk than the longer dated, more junior tranches.

Mortgage-backed securities may be offered as interest only (IO) or principal only (PO) strips, where only the interest or the principal of the underlying mortgages in the pool is passed on to the security holders. These types of securities are highly sensitive to the pre-payment experience associated with the underlying mortgages and will behave in opposite ways to the same trend in pre-payments. For IO securities, early pre-payments within the pool will mean less than expected interest payments since the mortgages will have terminated, adversely affecting security holders. For PO securities, early pre-payments within the pool will mean quicker repayment of principal than expected, benefiting security holders. Because of the highly sensitive nature of these securities, the possibility of sharp declines in prices is much greater compared to conventional mortgage-backed securities.

Mortgage- and asset-backed securities may be structured as synthetic securities. For example, the CMBX is a credit default swap on a basket of CMBS bonds, constituting in effect a CMBS index. By purchasing such an instrument, the Fund is buying protection (i.e. the ability to get par for the bonds in the event of an unfavourable credit event), allowing the Fund to hedge its exposure or go short the CMBS sector. By selling such an instrument short and holding cash against the potential obligation to purchase it, the Fund is selling protection and effectively getting long exposure to the CMBS sector more quickly and efficiently than purchasing individual bonds. The risks associated with such synthetic instruments are comparable to those of the underlying ABS or MBS securities that the instruments are seeking to replicate, in addition to the risk that the synthetic instruments themselves do not perform as intended due to adverse market conditions.

Asset-backed securities are very similar to mortgage-backed securities, except that the securities are collateralised by other types of assets besides mortgages, such as credit card receivables, home-equity loans, manufactured homes, automobile loans, student loans, equipment leases, or senior bank loans, among others. Like mortgage-backed securities, asset-backed securities are subject to pre-payment and extension risks.

Collateralised Loan/Debt Obligations (CLOs/CDOs) are similar to ABS/MBS type of securities. The main difference being the nature of the collateral pool, which is not constituted of debt securities or mortgages but rather leveraged loans issued by corporates.

In addition to the normal risks associated with debt securities and asset backed securities (e.g., interest rate risk, credit risk and default risk), CDOs and CLOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or quality or go into default or be downgraded; (iii) a Fund may invest in tranches of a CDO or CLO that are subordinate to other classes; and (iv) the complex structure of the security may

not be fully understood at the time of investment and may produce disputes with the issuer, difficulty in valuing the security or unexpected investment results.

#### **Smaller and Midsize Companies risk**

While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating-rate.

These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and Emerging Markets, especially as the liquidity of securities issued by companies in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

#### **Structured Notes risk**

Structured notes such as credit-linked notes, equity-linked notes and similar notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike financial derivative instruments, cash is transferred from the buyer to the seller of the note. Investment in these instruments may cause a loss if the value of the underlying security decreases. There is also a risk that the note issuer will default. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customised. The liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

#### **Substantial Leverage risk**

While cash borrowing for investment purposes (traditional leverage) is not permitted for UCITS funds, leverage exposure may be obtained through the use of financial derivative instruments, as more fully described under "Derivative Instruments risk". Certain Funds, by the nature of their investment strategy, may employ an unusually high level of leverage achieved through financial derivative instruments regardless of their use, i.e. for investment purposes or for purposes of hedging. As an example, financial derivative instruments used to reduce risk do also contribute to an increase in the level of leverage for a given Fund when expressed in notional terms. Certain financial derivative instruments have the potential for an unusually high degree of leverage regardless of the size of the initial investment. The use of a substantial degree of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. As a result, a relatively small price movement in a derivative contract, particularly when such contracts are used to a significant degree in a Fund, may result in substantial losses to a Fund.

#### **Sukuk Investment risk**

Price changes in Sukuk are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. Sukuk could suffer when capital market interest rates rise, while they could increase in value when capital market interest rate fall. The price changes also depend on the term or residual time to maturity of the Sukuk. In general, Sukuk with shorter terms have less price risks than Sukuk with longer terms. However, they generally have lower returns and, because of the more frequent due dates of the securities portfolios, involve higher re-investment costs.

Sovereign Sukuk ("**Sovereign Sukuk**") are Sukuk issued or guaranteed by governments or government-related entities. Investment in Sovereign Sukuk issued or guaranteed by governments or their agencies and instrumentalities ("**governmental entities**") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Sukuk may not be able or willing to repay the principal and/or return when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the International Monetary Fund.

Sovereign Sukuk holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such debt by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure of delay in repayment).

Funds investing in Sovereign Sukuk issued by governments or government related entities from countries referred as Emerging or Frontier Markets bear additional risks linked to the specifics of such countries (e.g. currency fluctuations, political and economics uncertainties, repatriation restrictions, etc).

#### **Sustainability risk**

The Investment Manager considers that sustainability risks are relevant to the returns of the Fund. The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the Fund and may also cause the Fund to sell investments that will continue to perform well.

Appreciation of sustainability risk is to a degree subjective and there is no guarantee that all investments made by the Fund will reflect beliefs or values of any particular investor on sustainable investments.

A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of one or several investments and thus negatively affecting the returns of the Fund.

Sustainability risks can manifest themselves in different ways, such as but not limited to:

- failure to comply with environmental, social or governance standards resulting in reputational damage, causing fall in demand for products and services, or loss of business opportunities for a company or industry group,
- changes in laws, regulations or industry norms giving rise to possible fines, sanctions or change in consumer behavior affecting a company or an entire industry's prospects for growth and development,
- changes in laws or regulations, may generate higher demand for, and thus undue increase in prices of securities of companies perceived as meeting higher ESG standards. Prices of such securities may become more volatile if perception from market participants about companies adherence to ESG standards changes, and
- changes in laws or regulations, may incentivize companies to provide misleading information about their environmental, social or governance standards or activities.

Commonly considered sustainability risk factors are split into "Environment, Social, and Governance" (ESG), such as but not limited to the following topics:

#### Environment

- Climate mitigation
- Adjustment to climate change
- Protection of biodiversity
- Sustainable use and protection of water and maritime resources
- Transition to a circular economy, avoidance of waste, and recycling
- The avoidance and reduction of environmental pollution
- Protection of healthy ecosystems
- Sustainable land use

#### Social affairs

- Compliance with recognized labor law standards (no child and forced labor, no discrimination)
- Compliance with employment safety and health protection
- Appropriate remuneration, fair working conditions, diversity, and training and development opportunities
- Trade union rights and freedom of assembly
- Guarantee of adequate product safety, including health protection
- Application of the same requirements to entities in the supply chain
- Inclusive projects or consideration of the interests of communities and social minorities

#### Corporate Governance

- Tax honesty
- Anti-corruption measures
- Sustainability management by the board
- Board remuneration based on sustainability criteria
- The facilitation of whistle-blowing
- Employee rights guarantees
- Data protection guarantees

Sustainability risks can lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and thus may materially impact its market price or liquidity.

#### Swap Agreements risk

The Company may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Company than if the Company had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Company's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

Whether the Company's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Managers and/or Investment Co-Managers to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two-party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Company bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Investment Managers and/or Investment Co-Managers will cause the Company to enter into swap agreements in accordance with the guidelines in Appendix B. The main factor that determines the performance of a swap contract is the movement in the price of the underlying investment, specific interest rates, currencies and other factors used to calculate the payment due by and to the counterparty. If a swap contract requires payment by a Fund, the latter must at all times be able to honour said payment. Moreover, if the counterparty loses its creditworthiness, the value of the swap contract entered into with this counterparty can be expected to fall, entailing potential losses for the Fund.

### **Thematic Investing risk**

The performance of a Fund whose investment strategy incorporates the identification of thematic investment opportunities may be negatively impacted if the Investment Manager does not correctly identify such opportunities or if the theme develops in an unexpected manner.

Companies within a Fund's investment theme may face intense competition and potentially rapid product obsolescence. There can be no assurance these companies will be able to successfully protect their intellectual property to prevent the misappropriation of their technology, or that competitors will not develop technology that is substantially similar or superior to such companies' technology. These companies may engage in significant amounts of spending on research and development, and there is no guarantee that the products or services produced by these companies will be successful.

In addition, some companies within a Fund's investment theme could face increasing regulatory scrutiny in the future, which may limit the development of their technologies or businesses and impede their growth.

As a result, the stock price of companies within a Fund's investment theme may vary widely and abruptly decline in value due to one or more of the risk factors described above.

### **Warrants risk**

Investments in and holding of warrants may result in increased volatility of the Net Asset Value of certain Funds, which may make use of warrants, and accordingly are accompanied by a higher degree of risk.

**Investors should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s) investment objective(s) will be attained. Neither the Company, the Management Company, the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.**

### **MANAGEMENT COMPANY**

The Board of Directors has appointed Franklin Templeton International Services S.à r.l. as Management Company by a management company services agreement dated 15 January 2014 to be responsible on a day-to-day basis under the supervision of the Board of Directors, for providing administration, marketing, investment management and advice services in respect of all Funds. The Management Company may delegate part or all of the investment management services to the Investment Managers.

The Board of Managers of the Management Company has appointed Eric Bedell, A. Craig Blair, John Hosie, Daniel Klingelmeier, Rafal Kwasny, Luis Perez, Boris Petrovic, Marc Stoffels and Grégory Surly as conducting persons, responsible for the day-to-day management of the Management Company in accordance with article 102 of the Luxembourg Law of 17 December 2010.

The Management Company was incorporated on 17 May 1991 under the laws of the Grand Duchy of Luxembourg and its articles of incorporation are deposited with the Luxembourg Registre de Commerce et des Sociétés. The Management Company is approved as a management company regulated by chapter 15 of the Law of 17 December 2010. The Management Company is part of Franklin Templeton. The share capital of the Management Company is EUR 4,605,383.00 and the Management Company will comply at all times with article 102 of the Law of 17 December 2010.

The Management Company may also be appointed to act as management company for other investments funds the list of which will be available, upon request, at the registered office of the Company and the Management Company.

The Management Company will ensure compliance of the Company with the investment restrictions and oversee the implementation of the Company's strategies and investment policy.

The Management Company will receive periodic reports from the Investment Managers detailing the Funds' performance and analysing their investment. The Management Company will receive similar reports from the other services providers in relation to the services which they provide.

Franklin Templeton International Services S.à r.l. will also act as registrar and transfer, corporate, domiciliary and principal administrative agent of the Company and will therefore be responsible for processing the purchase, selling and switching of Shares, the maintenance of accounting records and all other administrative services as required by the laws of the Grand Duchy of Luxembourg. The Management Company is authorised to delegate and has delegated certain administrative services to third parties as described under section "Administrative Agent" below, subject however to its overall supervision and oversight.

The Management Company shall report to the Board of Directors on a quarterly basis and inform the Board of Directors of any non-compliance of the Company with the investment restrictions.

### **INVESTMENT MANAGERS**

The Investment Managers mentioned in the section "Administrative Information" have been appointed by the Management Company to act as investment managers of the Funds as may other affiliated investment advisory companies within Franklin Templeton and to provide day-to-day management in respect of the investment and re-investment of the net assets of the Funds.

The Investment Managers may or may not be part of Franklin Templeton.

The Investment Managers shall render to the Management Company written reports of the composition of the assets of the Funds under their management as often as the Management Company shall reasonably require.

The Investment Managers and their affiliates serve as advisers for a wide variety of public investment mutual funds and private clients in many nations. Franklin Templeton has been investing globally for over 60 years and provides investment management and advisory services to a

worldwide client base, including over 24 million shareholder accounts. The Franklin Templeton Managers are indirect wholly owned subsidiaries of FRI. Through its subsidiaries, FRI is engaged in various aspects of the financial services industry. Details of the value of assets currently managed by Franklin Templeton can be accessed on <http://www.franklintempleton.lu>.

## **DEPOSITARY**

J.P. Morgan Bank Luxembourg S.A. has been appointed as the Depositary to provide depositary, custodial, settlement and certain other associated services to the Company.

J.P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a *société anonyme* and has its registered office at European Bank & Business Centre, 6C, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg since its incorporation.

The Depositary will further:

- a) ensure that the issue, redemption and cancellation of Shares effected by the Company or on its behalf are carried out in accordance with the Law of 17 December 2010 and the Articles;
- b) ensure that the value per Share of the Company is calculated in accordance with the Law of 17 December 2010 and the Articles;
- c) carry out, or where applicable, cause any subcustodian or other custodial delegate to carry out the instructions of the Company or the relevant Investment Manager(s) unless they conflict with the Law of 17 December 2010 or the Articles;
- d) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and
- e) ensure that the income of the Company is applied in accordance with the Articles.

The Depositary may entrust all or part of the assets of the Company that it holds in custody to such subcustodians as may be determined by the Depositary from time to time. Except as provided in applicable laws, the Depositary's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

The Depositary shall assume its functions and responsibilities in accordance with applicable laws as further described in the depositary agreement entered into between the Depositary, the Company and the Management Company.

### *The Depositary Agreement*

The Company has appointed the Depositary as depositary under a depositary agreement dated 31 August 1994, as amended and restated by an agreement dated 18 March 2016 also entered by the Management Company (the "Depositary Agreement").

The Depositary shall perform all the duties and obligations of a depositary under the UCITS Directive as outlined in the Depositary Agreement.

The Depositary Agreement may be terminated by any party on 90 days' notice in writing. Subject to applicable laws, the Depositary Agreement may also be terminated by the Depositary on 30 days' notice in writing if (i) it is unable to ensure the required level of protection of the Company's investments under the applicable laws because of the investment decisions of the Management Company and / or the Company; or (ii) the Company, or the Management Company on behalf of the Company, wishes to invest or to continue to invest in any jurisdiction notwithstanding the fact that (a) such investment may expose the Company or its assets to material country risk or (b) the Depositary is not able to obtain satisfactory legal advice confirming, among other things, that in the event of an insolvency of a subcustodian or other relevant entity in such jurisdiction, the assets of the Company held locally in custody are unavailable for distribution among, or realisation for the benefit of, creditors of the such subcustodian or other relevant entity.

Before expiration of any such notice period, the Management Company shall propose a new depositary which fulfils the requirements of the UCITS Directive and to which the Company's assets shall be transferred and which shall take over its duties as the Company's depositary from the Depositary. The Company and the Management Company will use best endeavours to find a suitable replacement depositary, and until such replacement is appointed the Depositary shall continue to perform its services under the Depositary Agreement.

The Depositary will be responsible for the safekeeping and ownership verification of the assets of the Company, cash flow monitoring and oversight in accordance with the UCITS Directive. In carrying out its role as depositary, the Depositary shall act independently from the Company and the Management Company and solely in the interest of the Company and its Investors.

The Depositary is liable to the Company or its Investors for the loss of a financial instrument held in custody by the Depositary or any of its delegates. The Depositary shall, however, not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary is also liable to the Company or its Investors for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its duties in accordance with applicable laws.

### *Conflicts of Interest*

In carrying out its functions, the Depositary shall act honestly, fairly, professionally, independently and solely in the interest of the Shareholders.

As part of the normal course of global custody business, the Depositary may from time to time have entered into arrangements with other clients, funds or other third parties for the provision of safekeeping and related services. Within a multi-service banking group such as JPMorgan Chase Group, from time to time conflicts may arise between the Depositary and its safekeeping delegates, for example, where an appointed delegate is an affiliated group company and is providing a product or service to a fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the funds, for instance foreign exchange, securities lending, pricing or valuation services. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Company (under applicable laws including Article 25 of the UCITS Directive) and will treat the Company and the other funds for which it acts fairly and such that, so far as is practicable, any contracts with service providers are entered into on terms which are not materially less favourable to the Company than if the conflict or potential conflict had not existed. Such potential conflicts of interest are identified, managed and monitored in various other ways including,

without limitation, the hierarchical and functional separation of Depositary's depositary functions from its other potentially conflicting tasks and by the Depositary adhering to its own conflicts of interest policy.

#### *Subcustodians and Other Delegates*

When selecting and appointing a subcustodian or other delegate, the Depositary shall exercise all due skill, care and diligence as required by the UCITS Directive to ensure that it entrusts the Company's assets only to a delegate who may provide an adequate standard of protection. The current list of subcustodians and other delegates used by the Depositary and sub-delegates that may arise from any delegation is available online at the website: <http://www.franklintempleton.lu>, by selecting "Literature", "Subcustodians" tabs. The latest version of such list may also be obtained by the Investors from the Company upon request.

In addition, up-to-date information regarding the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation may also be obtained by the Investors on request at the registered office of the Company.

#### **ADMINISTRATIVE AGENT**

J.P. Morgan Bank Luxembourg S.A has also been appointed as the Administrative Agent of the Company to perform some administrative services in relation to the Company under an administration agreement ("Administration Agreement"). These services include preparing and maintaining books, records, tax, financial reports and calculating the Net Asset Value of the Funds.

The Administration Agreement may be terminated by any party on 180 days' notice in writing.

Under the Administration Agreement, the Administrative Agent will not be liable for any loss or damage suffered by the Company with respect to any matter as to which the Administrative Agent has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud, wilful default or material breach of the Administration Agreement on the part of the Administrative Agent. The Company has agreed to indemnify the Administrative Agent (and its affiliates and nominees, and their respective directors, officers, employees and agents) against, and hold them harmless from, any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys', accountants', consultants' or experts' fees and disbursements) that may be imposed on, incurred by or asserted against the Administrative Agent (or its affiliates and nominees, and their respective directors, officers, employees and agents) in connection with or arising out of the Administrative Agent's performance under the Administration Agreement, provided the Administrative Agent (and its affiliates and nominees, and their respective directors, officers, employees and agents) have not acted with negligence or engaged in fraud, material breach of the Administration Agreement or wilful default in connection with the liabilities in question.

#### **PUBLICATION OF SHARE PRICES**

The Net Asset Value per Share of each Fund and Share Class is made public at the registered office of the Company and is available at the offices of the Management Company. The Company will arrange for the publication of the Net Asset Value per Share of relevant Funds as required under applicable laws and in such newspapers as the Board of Directors may decide from time to time. This information is also available on the Internet site: <http://www.franklintempleton.lu>. The Company and the Management Company cannot accept any responsibility for any error or delay in publication or for the non-publication of prices.

#### **INVESTOR GENERAL INFORMATION**

##### **Prior Considerations**

The Company aims to provide investors with a choice of Funds investing in a wide range of transferable securities and other eligible assets on a worldwide basis and featuring a diverse array of investment objectives, including capital growth and income. Investors should give careful consideration to their own personal investment objectives and any local regulatory or tax implications applicable to their circumstances. Investors are recommended to obtain advice from local financial and tax advisors. Further information regarding tax is provided in the sections "Taxation of the Company" and "Taxation of Investors".

Investors should note that the price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested. Attention of Investors is more specifically drawn to the fact that investment by the Company may trigger specific risks, as more fully described under section "Risk Considerations".

The distribution of this Prospectus and the offering of the Shares may be restricted in certain jurisdictions and some of the Funds may not be available for public distribution in your jurisdictions. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions.

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentary evidence from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.

Investors should refer to the relevant KIID of the Company where applicable for ongoing charges and historical performance charts of the Share Classes of the relevant Funds.

##### **Specific information on Money Market Funds**

Shareholders' attention is drawn to the fact that:

- Money Market Funds are not a guaranteed investment;
- an investment in a Money Market Fund is different from an investment in deposits as the principal invested in a Money Market Fund is capable of fluctuation;



- the Company does not rely on external support for guaranteeing the liquidity of the Funds which qualify as Money Market Funds or stabilising the Net Asset Value per Shares of those Funds; and
- the risk of loss of the principal is borne by the Shareholders.

In addition to the information made available to Shareholders in accordance with the main part of the Prospectus, the following information will be made available at the registered office of the Company and on the website of the Management Company ([www.franklintempleton.lu](http://www.franklintempleton.lu)) on a weekly basis:

- the maturity breakdown of the portfolio of the relevant Fund;
- the credit profile of the relevant Fund;
- the Weighted Average Maturity and the Weighted Average Life of the relevant Fund;
- details of the 10 largest holdings in the Fund, including the name, country, maturity and asset type, the counterparty in the case of repurchase and reverse repurchase agreements;
- the total value of the relevant Fund; and
- the net yield of the relevant Fund.

### **Issue of Shares**

Shares are made available through the Principal Distributor. The Principal Distributor will, from time to time, enter into contractual agreements with several other sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of those Shares.

If circumstances so require, the Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Prospectus.

The Company shall have power to impose such restrictions (other than any restrictions on transfer of shares) as it may think necessary for the purpose of ensuring that no shares in the Company are acquired or held by (a) any person in breach of the law or requirement of any country or governmental or regulatory authority (if the Board of Directors shall have determined that any of them, the Company, any of the Management Company (as defined herein), investment managers or advisers or any other person as determined by the Board of Directors would suffer any disadvantage as a result of such breach) or (b) any person in circumstances which in the opinion of the Board of Directors might result in the Company incurring any liability to taxation (to include regulatory or any tax liabilities that might derive, inter alia, from the requirements of the FATCA or the Common Reporting Standard or any similar provisions or any breach thereof) or suffering any pecuniary disadvantage which the Company might not otherwise have incurred or suffered, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority or (c) any person whose shareholding's concentration could, in the opinion of the Board of Directors, jeopardise the liquidity of the Company or any of its Funds.

More specifically, the Company may restrict or prevent the ownership of shares in the Company by any person, firm or corporate body, and without limitation, by any "US person", as defined hereafter.

For such purposes, the Company may:

- 1) decline to issue any Share and decline to register any transfer of a Share, where it appears to it that such registration or transfer would or might result in beneficial ownership of such Share by a person precluded from holding Shares of the Company;
- 2) at any time require any person whose name is entered in, or any person seeking to register the transfer of Shares on, the register of shareholders to furnish it with any representations and warranties or any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not, to what extent and under which circumstances, beneficial ownership of such Shareholder's Shares rests or will rest in a person who is precluded from holding Shares of the Company; and
- 3) where it appears to the Company that any person, who is precluded from holding Shares or a certain proportion of the Shares of the Company, or whom the Company reasonably believes to be precluded from holding Shares in the Company, either alone or in conjunction with any other person, is a beneficial owner of Shares or is in breach of its representations and warranties or fails to make such representations and warranties in a timely manner as the Company may require, may compulsorily redeem from any such Shareholder all or part of the Shares held by such Shareholder in the manner more fully described in the Articles; and
- 4) decline to accept the vote of any person who is precluded from holding Shares in the Company at any meeting of shareholders of the Company.

### **Listing of Shares**

Certain eligible Share Classes are or will be listed on the relevant stock exchange in Luxembourg. The Board of Directors may decide to make an application to list the Shares of any Class on any other stock exchange.

### **Form and Currency of Shares**

All Shares are issued in registered form. Fractional registered shares will be rounded to three (3) decimal places. Any deal order with a stated Share amount with more than three (3) decimal places will be rounded to three (3) decimal places, using conventional rounding to the nearest thousandths place.

According to the law of 28 July 2014 concerning the compulsory deposit and immobilisation of shares and units in bearer form, all Physical Bearer Shares not deposited by 18 February 2016 have been cancelled and the monies resulting from the cancellation of such bearer shares have been deposited on 25 February 2016 with the *Caisse de Consignation*, until such time as a holder of certificate(s) representing the Physical Bearer Shares requests their reimbursement. Deposits are subject to a deposit tax and may be further subject to specific custody fees, which are accounted for when arising.

The Company and/or the Management Company may offer within a Fund several Alternative Currency Share Classes as described in Section "Share Classes".

### **Dealing Cut-Off Times**

Dealing Cut-Off Times are detailed in Appendix A. The Company and/or Management Company may permit, if it deems it appropriate, different Dealing Cut-Off Times to be agreed with local distributors or for distribution in jurisdictions where the different time zone so justifies. In such circumstances, the applicable Dealing Cut-Off Time applied must always precede the time when the applicable Net Asset Value is calculated and published. Such different Dealing Cut-Off Times shall be disclosed in the local supplement to this Prospectus, the agreements in place with the local distributors, or other marketing material used in the jurisdictions concerned.

### **Calculation of Share Prices/Net Asset Value**

The prices at which Shares of the relevant Classes can be purchased, sold or switched in each Share Class are calculated on each Valuation Day by reference to the Net Asset Value per Share of the Class concerned and are available on the following Business Day.

Some jurisdictions do not permit Investor transactions to be accepted during local holidays. Details of these arrangements are contained in the locally approved version of this Prospectus.

Details of the calculation of the Net Asset Value are provided in Appendix D. Instructions received in writing by the Management Company in Luxembourg or by a duly authorised distributor, prior to the applicable Dealing Cut-Off Time on any Dealing Day, will be dealt with at the relevant Net Asset Value per Share determined for that Valuation Day.

All deal instructions shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Valuation Day.

### **Suspension of dealing and Share Prices/Net Asset Value**

The calculation of the Net Asset Value (and consequently purchases, sales and switches) of any Share of any Fund may be suspended by the Company pursuant to the power reserved to it by its Articles and as described in Appendix D. Instructions made or pending during such suspension may be withdrawn by notice in writing received by the Management Company prior to the end of such suspension. Unless withdrawn, instructions will be considered as if received on the first Valuation Day following the end of the suspension.

### **Fund Liquidations**

If the net assets of any Fund are at any time below USD 50 million, or the equivalent thereof in the currency of the relevant Fund, or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned, the Board of Directors may decide to liquidate such Fund and redeem all outstanding Shares. Notice of such liquidation will be sent to the registered Investors. The price at which Shares will be redeemed will be the Net Asset Value per Share of such Fund determined upon realisation of all assets attributable to such Fund. Further details are provided in Appendix C.

### **Restrictions on Subscriptions and Switches into Certain Funds or Share Class**

A Fund, or Share Class, may be closed to new investors or to all new subscriptions or switches in (but not to redemptions, switches out or transfers) if, in the opinion of the Management Company, closing is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Fund has reached a size such that the capacity of the market and/or the capacity of the Investment Manager has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Any Fund, or Share Class, may be closed to new investors or all new subscriptions or switches in without notice to Shareholders.

Notwithstanding the above, the Management Company may allow, at its discretion, the continuation of subscriptions from regular savings schemes on the basis that these types of flows present no challenge with respect to capacity. Once closed, a Fund or a Share Class will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. Shareholders and potential investors should confirm with the Company, the Management Company or the Distributor(s) or check the website for the current status of Funds or Share Classes.

### **Minimum Investment**

The minimum initial investment in the Shares of each Fund is USD 1,000, USD 5,000,000 for Class I Shares (except for the Class I Shares of the Franklin U.S. Government Fund which has a minimum initial investment of USD 1,000,000) and USD 150,000,000 for Class J Shares, or the equivalent in any other freely exchangeable currency, except for investment made by Nominees. Investors should note that the minimum initial investment in Class A, N and W Shares of the Franklin Emerging Markets Debt Opportunities Hard Currency Fund, Franklin Emerging Market Corporate Debt Fund and Franklin Emerging Market Sovereign Debt Hard Currency Fund is USD 100,000, or the equivalent in any other freely exchangeable currency (or USD 25,000 in the case of switches). Existing holders of Shares in any Fund may add to their Holdings in that Fund provided the minimum increase for any purchase is USD 1,000 or the equivalent in any other freely exchangeable currency (except for the Class A, N and W Shares of the Franklin Emerging Markets Debt Opportunities Hard Currency Fund, Franklin Emerging Market Corporate Debt Fund and Franklin Emerging Market Sovereign Debt Hard Currency Fund which have a minimum subsequent investment of USD 25,000 or the equivalent in any other freely exchangeable currency). Such minimum investment amounts may be waived in whole or in part by the Board of Directors or by the Management Company.

Any specific minimum investment amounts applied in other jurisdictions will be disclosed in the local version of this Prospectus, the agreements in place with the local distributors or other marketing material used in the jurisdictions concerned.

The minimum Holding requirement in the Shares of each Fund is USD 1,000 or currency equivalent.

The Company and the Management Company reserve the right to reject any application which does not meet the minimum investment requirements. The Company and/or the Management Company may, at any time, decide to compulsorily redeem all Shares from any

Shareholder whose holding is less than the minimum holding amount specified above or on application, or who fails to satisfy any other applicable eligibility requirements set out in the Prospectus, and to close the relevant Investor's Portfolio.

### **Nominee**

Local offering documentation may provide the facility for the Investors to avail of Nominee type of intermediaries, brokers/dealers and/or local paying agents. The Nominee name will appear on the register of Shareholders of the Company and the Nominee may effect purchases, switches and sales of Shares on behalf of the Investors.

The Nominee maintains its own records and provides the Investors with individualised information as to their Holdings. Unless otherwise provided by local law, any Investor investing through a Nominee type of intermediary has the right to claim direct title to the Shares purchased on his/her/its behalf by the Nominee.

For the avoidance of doubt, Investors subscribing through such other parties (or through sub-distributors, intermediaries, brokers/dealers and/or professional investors appointed by such other parties) will not be charged additional fees and expenses by the Company.

### **Third Party Payments**

Investors are informed that it is the Company's policy not to make payment to or accept payment from a party other than the registered Shareholder.

Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account, located in a country other than the Investor's country of residence, the Company and/or the Management Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentary evidence is received that provides additional investor protection to the satisfaction of the Company and/or the Management Company.

### **Telephone Recording**

The Management Company may use telephone recording procedures to record any conversation. Investors are deemed to consent to the tape-recording of conversations with the Management Company and to the use of such tape recordings by the Management Company and/or the Company and/or the Administrative Agent, as applicable, in legal proceedings or otherwise at their discretion. In addition, some local Franklin Templeton offices may need to record telephone calls and electronic communications for training, monitoring purposes and/or to confirm Investors' instructions. Recordings will be provided upon request (in which case a fee may be charged) for a period of five years from the date of such recording or seven years when specifically required by regulatory authorities.

### **Investor Portfolio**

Investors will be given at least one personal Investor Portfolio Number. Such personal Investor Portfolio Number should be used in all correspondence with the Company or the Management Company. In the event that more than one personal Investor Portfolio Number is attributed to the same Investor, all such personal Investor Portfolio Numbers should be indicated for any request concerning all the Portfolios held by the Investor.

### **Shareholder Notifications**

Any relevant notifications or other communications to Shareholders concerning their investment in the Fund (including Contract Notes) may be communicated to a Shareholder via electronic means of communication in accordance with applicable Luxembourg rules, where the Shareholder has consented and provided an e-mail address and/or relevant electronic contact details to the Management Company for such purposes. Relevant notifications or other communications to Shareholders concerning their investment in the Company may also be posted on the website [www.franklintempleton.lu](http://www.franklintempleton.lu). In addition, and where required by Luxembourg law or the Luxembourg regulator, Shareholders will also be notified in writing or in such other manner as prescribed under Luxembourg law. In particular, Shareholders should refer to the "Meetings and Reports" section.

In electronic communications and dealings, Franklin Templeton will make reasonable efforts to preserve and protect confidentiality of data communicated. Recipients of electronic communications should be aware that the integrity and confidentiality of electronic online communication transiting through the Internet may not be guaranteed due to a multiplicity of factors including, but not limited to, vulnerability of hardware, software, operating system or electronic platform employed by such recipients in their dealings with Franklin Templeton.

### **Contract Notes**

Following the execution of a transaction, a Contract Note will be dispatched to the Investor normally within one (1) Business Day. Investors should promptly check this Contract Note to ensure that each transaction has been accurately recorded in the relevant Investor Portfolio. In the event of identifying a discrepancy Investors should immediately report such discrepancy in writing to the Management Company or their local Franklin Templeton servicing office. If not so reported within fifteen (15) Business Days from the Contract Note date, the transaction will be deemed correct and the Investor will be bound by the terms of the Contract Note.

### **Personal Theft**

Any correspondence issued by the Company or the Management Company is private and confidential. To safeguard Investors' Holdings, Investors should keep their personalised security features secret, protect their authentication device against access by other persons and in the case of loss or theft of any correspondence with the Company or the Management Company (or of identity documents/passport/personal security features), Investors should immediately inform their local Franklin Templeton servicing office.

## **Data Protection**

All personal data of Investors (the "Personal Data") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Management Company may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the Management Company and other companies of Franklin Templeton, including Franklin Resources, Inc. and/or its subsidiaries and associates, the Depositary, the Administrative Agent and any other third parties (including but not limited to printing and mailing services) which provide services to them, any of which may be established outside Luxembourg and/or the European Union, including the US and India. Such Personal Data shall be processed for the purposes of account administration, development of business relationships, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, for the purpose of compliance with FATCA or similar laws and regulations (e.g. on OECD level). The Company and/or the Management Company, for the purpose of FATCA or other legal compliance, may be required to disclose Personal Data relating to US Persons and/or non-participant FFI's to the Luxembourg tax authorities which may transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton group may also use Personal Data for other purposes set forth in the Franklin Templeton Privacy and Cookies Notice (the "Privacy Notice").

The Company asks for investors to consent to the use of information on their political opinions, religious or philosophical beliefs which may be revealed by compliance checks against politically exposed persons, for the above purposes. This consent is recorded in the application form.

The Privacy Notice provides, among other, further information on the Company's and Franklin Templeton' use of Personal Data, the types of Personal Data processed, the other purposes for which Personal Data is processed, the list of entities involved in the processing of Personal Data as well as the rights of the data subjects. The Privacy Notice is available on the Internet site: [www.franklintempletonglobal.com/privacy](http://www.franklintempletonglobal.com/privacy) (a paper copy will be made available free of charge upon request). If an Investor wishes to exercise its individual rights, or to raise any question, concern or complaint concerning the Privacy Notice, it may contact the Management Company or alternatively, the Data Protection Officer (Email address: [DataProtectionOfficer@franklintempleton.com](mailto:DataProtectionOfficer@franklintempleton.com)) at Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L 1246 Luxembourg.

Investors' attention is drawn to the fact that the Privacy Notice is subject to change at the sole discretion of the Management Company and/or the Company.

## **Anti-Money Laundering and Counter-Terrorist Financing Legislation**

Pursuant to the Luxembourg law of 5 April 1993 relating to the financial sector (as amended), Directive 2018/843/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorism financing and the Luxembourg law of 12 November 2004 relating to money laundering and counter terrorist financing (as amended), as well as to the circulars of the Luxembourg supervisory authority, obligations have been imposed on the Company to take measures to prevent the use of investment funds for money laundering and terrorist financing purposes.

Accordingly, the Management Company has established a procedure to identify all its Investors. To meet the Management Company's requirements, Investors should submit any necessary identification documents together with the application form. For private individuals this will be a passport or identity card copy duly certified to be a true copy by an authorised body in their resident country. Legal entities will be required to produce documents such as proof of regulation, membership to a recognised stock exchange, or company articles of incorporation/by-laws or other constitutive documents as applicable. The Management Company is also obliged to identify any beneficial owners of the investment. The requirements apply to both purchases made directly to the Company and indirect purchases received from an intermediary. In this context, Investors must inform without delay the Management Company or the Company when the person(s) designated as beneficial owner(s) change and in general, ensure at all times that each piece of information and each document provided to the Management Company or intermediary remains accurate and up-to-date.

The Management Company reserves the right to ask at any time for additional information and documentary evidence, such as source of funds and origin of wealth, as may be required in higher risk scenarios or to comply with any applicable laws and regulations. In case of delay or failure to provide such information and/or documentary evidence, the Management Company may delay or reject the processing of purchase or sale instructions, or any other transaction. The Management Company may also delay or suspend the payment of dividends until relevant and satisfactory information and/or documentation is received. Neither the Company nor the Management Company have any liability for delays or failure to process deals as a result of the Investor providing no or only incomplete information and/or documentary evidence.

Such information provided to the Management Company is collected and processed for anti-money laundering and counter-terrorist financing compliance purposes.

## **Trading Policy**

**Market timing/short term trading generally.** The Company discourages short-term or excessive trading, often referred to as "market timing", and intends to seek to restrict or reject such trading or take other action, as described below, if in the judgment of the Company or Management Company such trading may interfere with the efficient management of the portfolio of any Fund, may materially increase the Fund's transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Company and its Shareholders.

**Market timing consequences.** If information regarding an Investor's activity in the Company or in any other Franklin Templeton funds or non-Franklin Templeton funds is brought to the attention of the Company or the Management Company and based on that information the Company, the Management Company or their agents in their sole discretion conclude that such trading may be detrimental to the Company as described in this Market Timing Trading policy, the Company may temporarily or permanently bar an Investor's future purchases into the Company or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which a Shareholder may request future purchases and sales (including purchases and/or sales by a switch or transfer between the Company and any other Franklin Templeton funds).

In considering an Investor's trading activity, the Company may consider, among other factors, the Investor's trading history both directly and, if known, through financial intermediaries, in the Company, in other Franklin Templeton funds, in non-Franklin Templeton funds, or in accounts under common control or ownership.

**Market timing through financial intermediaries.** Investors are subject to this policy whether they are a direct Shareholder of the Fund or are investing indirectly in the Company through a financial intermediary such as a bank, an insurance company, an investment advisor, or any other Distributor that acts as Nominee for Investors subscribing the Shares in their own name but on behalf of its customers (the Shares being held in an "omnibus holding").

While the Management Company will encourage financial intermediaries to apply the Company's Market Timing Trading policy to their customers who invest indirectly in the Company, the Management Company is limited in its ability to monitor the trading activity or enforce the Company's Market Timing Trading policy with respect to customers of financial intermediaries. For example, should it occur, the Management Company may not be able to detect market timing that may be facilitated by financial intermediaries or made difficult to identify in the omnibus holdings/Nominee accounts used by those intermediaries for aggregated purchases, switches and sales on behalf of all their customers. More specifically, unless the financial intermediaries have the ability to apply the Company's Market Timing Trading policy to their customers through such methods as implementing short-term trading limitations or restrictions, monitoring trading activity for what might be market timing, the Management Company may not be able to determine whether trading by customers of financial intermediaries is contrary to the Company's Market Timing Trading policy.

**Risks from market timers.** Depending on various factors, including the size of the Fund, the amount of assets the Investment Manager typically maintains in cash or cash equivalents and the euro, Japanese yen or US dollar amount and number and frequency of trades, short-term or excessive trading may interfere with the efficient management of the Fund's portfolio, increase the Fund's transaction costs, administrative costs and taxes and/or impact Fund performance.

In addition, if the nature of the Fund's portfolio holdings expose the Fund to Investors who engage in the type of market timing trading that seeks to take advantage of possible delays between the change in the value of a Fund's portfolio holdings and the reflection of the change in the Net Asset Value of the Fund's Shares, sometimes referred to as "arbitrage market timing", there is the possibility that such trading, under certain circumstances, may dilute the value of Fund Shares if selling Investors receive proceeds (and buying Investors receive Shares) based upon Net Asset Value which do not reflect appropriate fair value prices. Arbitrage market timers may seek to exploit possible delays between the change in the value of a Fund's portfolio holdings and the Net Asset Value of the Fund's Shares in Funds that hold significant investments in foreign securities because certain foreign markets close several hours ahead of the US markets, and in Funds that hold significant investments in small-cap securities, high-yield ("junk") bonds and other types of investments which may not be frequently traded.

The Company and the Management Company are currently using several methods to reduce the risk of market timing. These methods include:

- reviewing Investor activity for excessive trading; and
- committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to this Market Timing Trading policy.

Though these methods involve judgments that are inherently subjective and involve some selectivity in their application, the Company seeks to make judgments and applications that are consistent with the interests of the Company's Investors. There is no assurance that the Company or its agents will gain access to any or all information necessary to detect market timing in omnibus holdings. While the Company will seek to take actions (directly and with the assistance of financial intermediaries) that will detect market timing, the Company cannot represent that such trading activity can be completely eliminated.

**Revocation of market timing trades.** Transactions placed in violation of the Company's Market Timing Trading policy are not necessarily deemed accepted by the Company and may be cancelled or revoked by the Company or the Management Company on the Valuation Days following receipt by the Management Company.

#### **Regular Savings Plans and Regular Withdrawal Plans**

Regular Savings Plans and Regular Withdrawal Plans are available for the benefit of Investors in various countries. In the case a Regular Savings Plan is terminated before the agreed final date, the amount of entry charges payable by the relevant Investors may be greater than it would have been in the case of a standard purchase, as detailed in Section "Entry Charge and Contingent Deferred Sales Charge". For further information please contact the Management Company or your local Franklin Templeton office.

The minimum Holding requirement (USD 1,000 or currency equivalent) is waived in respect of Regular Savings Plans and Regular Withdrawal Plans.

#### **Preferential treatment**

Side letters may be negotiated with specific Investors when (i) the investment size reaches a certain threshold, whereupon particular financial terms deviating from those currently disclosed in the Prospectus may be agreed; and/or (ii) the Investor is required to perform portfolio analytics, including, but not limited to, risk analysis/asset allocation purposes or is required to disclose non-public information in advance in order to comply with either a regulatory or audit request. The nature and scope of the side letters may vary between Investors but essentially these arrangements mainly consist of (i) particular fee treatments in relation to specific significant investments; or (ii) early disclosure of non-public portfolio information through non-disclosure agreements.

#### **Contact Details**

Contact details of the Management Company can be found in the section "Administrative Information", on the application form, the Contract Note or the Franklin Templeton Internet site <http://www.franklintempleton.lu>.

#### **SHARE CLASSES**

##### **Share Classes Available**

The following Share Classes are or will be issued upon a decision of the Board of Directors.

Share classes	Accumulation	Distribution
Class A	(Acc)	(Mdis) (Mdirc) (Qdis) (Bdis) (Ydis)
Class AS		
Class AX		
Class B <sup>9</sup>		
Class C		
Class EB		
Class F		
Class G		
Class I		
Class J		
Class N		
Class S		
Class W		
Class X		
Class Y		
Class Z		

Unless otherwise stated in the Prospectus, the same terms and conditions apply to the different types of Shares i.e. accumulation (acc), monthly distribution (Mdis), monthly distribution Interest Rate Differential (Mdirc), quarterly distribution (Qdis), bi-annually distribution (Bdis) and yearly distribution (Ydis), of the same Share Class.

The difference in the various Share Classes relates to the fee structure and/or the dividend policy applicable to each of them. Shares can be either Distribution or Accumulation Shares. The Board of Directors intends to distribute all of the income attributable to the Distribution Shares. No distribution of dividends shall be made for the Accumulation Shares, however the income attributable will be reflected in the increased value of the Shares. Dividends may be paid monthly, quarterly, bi-annually or annually. Further details are provided in the following sections, as well as in the "Dividend Policy" section.

The purchase proceeds of the various Share Classes of a Fund are invested in one common underlying portfolio of investments but the Net Asset Value of each Share Class will be different as a result of differences in the issue price, fee structure and dividend policy.

Certain Share Classes may charge a Performance Fee as further described in section "Performance Fees". The relevant Share Classes will be denoted by the inclusion of "PF" in their names.

Certain Share Classes may be reserved for Investors of selected Distributor(s) and are made available to Investors subscribing through such Distributor(s) only. Such relevant Share Classes will be denoted by the inclusion of "M" in their names.

Share Classes with "pc" or "am" in their name are distribution share classes designed to offer, under normal market conditions, dividend distribution at a fixed percentage of the Net Asset Value per Share or a fixed amount respectively. The dividends, which are not dependent on the level of income or capital gains actually received or generated by the Fund may be paid out of capital and further reduce the relevant Fund's and Share Classes' Net Asset Value. Dividends paid out of capital could be taxed as income in certain jurisdictions. The distribution frequency, as well as the respective target distribution rate and amount for such Share Classes will be disclosed in the Key Investor Information Document as well as in the "Dividend Schedule" available on the [www.franklintempleton.lu](http://www.franklintempleton.lu) website or upon request from the Management Company. The Board of Directors of the Company reserve the right to change the fixed percentage/amount of the "pc" and/or "am" distribution Share Classes at any time, for example, if it is believed after review of the market and Fund circumstances that the estimated level of income that the Fund is reasonably in a position to generate does not correspond to the declared fixed distribution target of the Share Class. In such a case, a lower amount of dividend to be distributed may be declared and the new target distribution rate or amount will be disclosed in the Key Investor Information Document as well as in the "Dividend Schedule". Equally, the Board of Directors of the Company may deem appropriate to declare a dividend higher than the target fixed distribution if it is envisaged that the level of income of the Fund is greater than the targeted fixed distribution of the Share Class.

**Class A Shares** are no longer available to direct retail Investors in the UK. Class A Shares will continue to be available for non-advised execution only and discretionary sales in the UK, as well as for current regular subscriptions of existing Investors.

**Class AS Shares** may only be offered for distribution in Singapore to CPF Investors through distributors, platforms, Brokers/Dealers, professional investors and in limited circumstances to other investors at the discretion of the Principal Distributor. In this context, Class AS Shares may be offered through investment-linked insurance products under the Singapore's CPF Investment Scheme.

The Board of Directors has resolved that as from April 1, 2016, no additional **Class B Shares** will be issued.

**Class EB Shares** may be offered to distributors, Brokers/Dealers, professional investors and/or other investors investing (or committing to invest - including by way of a letter of intent) a minimum of USD 10 million (or equivalent in other currency) within the first 6 months of the launch of the Share Class. Investors should be aware that there may be circumstances where the Board of Directors or the Management Company may decide to close such Share Class to further subscriptions when assets in the Share Class reach a level determined by the Management Company and/or to reduce or extend the aforementioned 6 months investment period, in which case such information to be determined per Share Class per Fund will be disclosed on the [www.franklintempleton.lu](http://www.franklintempleton.lu) website.

**Class F Shares** and **Class G Shares** shall only be offered for distribution in certain countries and to selected distributors and/or Brokers/Dealers by invitation.

**Class I Shares** are only offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors).

<sup>9</sup> Class B Shares are no longer issued.

**Class J Shares** are only offered by invitation to selected Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), investing a minimum of USD 150 million (or equivalent in other currency). Investors should be aware that there may be circumstances where the Board of Directors or the Management Company may decide to close such Share Class to further subscriptions at its sole discretion, in which case such information to be determined per Share Class per Fund will be disclosed on the [www.franklintempleton.lu](http://www.franklintempleton.lu) website.

**Class N Shares** may be offered for distribution in certain countries and/or through certain sub-distributors, Brokers/Dealers and/or professional investors at the discretion of the Principal Distributor, in which case any local supplement to this Prospectus or marketing material, including that used by the relevant intermediaries, will refer to the possibility and terms to subscribe for Class N Shares.

**Class S Shares** shall only be offered in limited circumstances by invitation to intermediaries, distributors, platforms and/or Brokers/Dealers subject to (i) a level of assets under management (or commitment to raise level of assets under management) with Franklin Templeton in excess of USD 1 billion (or equivalent in other currency) and/or (ii) a commitment to raise level of assets under management in excess of USD 50 million (or equivalent in other currency) in Class S Shares of a given Fund and which:

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU based on a separate fee arrangements with their clients for the provision of investment advice. Separate fee arrangement requirements may be waived for intermediaries in certain non-EU jurisdictions, at the discretion of the Management Company.

In addition, Class S Shares may be offered to professional investors and/or other investors (i) meeting one of the aforementioned assets under management threshold or (ii) committing (including by way of a letter of intent) to raise level of assets in the Share Class in excess of USD 25 million (or equivalent in other currency) within the first 3 months of the Share Class launch. Investors should be aware that there may be circumstances where the Board of Directors or the Management Company may decide to reduce or extend the 3 months period in which case such information will be disclosed on [www.franklintempleton.lu](http://www.franklintempleton.lu) website.

**Class W Shares** are intended to be offered through intermediaries, distributors, platforms and/or Brokers/Dealers which,

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU based on a separate fee arrangements with their clients for the provision of investment advice. Separate fee arrangement requirements may be waived for intermediaries in certain non-EU jurisdictions, at the discretion of the Management Company.

**Class X Shares** may only be offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company or the Investment Manager and its affiliates.

Class X Shares are, inter alia, designed to accommodate an alternative charging structure whereby a fee covering the investment management fees, as contemplated into section "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class X Shares.

Class X Shares will however bear their pro-rata share of any other applicable expenses such as registrar, transfer, corporate, domiciliary, administration, depository, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in sections "Management Company Remuneration" and "Other Company Charges and Expenses".

**Class Y Shares** may only be offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company and/or its affiliates.

Class Y Shares are, inter alia, designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration fees, as contemplated into sections "Management Company Remuneration" and "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y Shares.

Class Y Shares will however bear their pro-rata share of any other applicable expenses such as depository, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in section "Other Company Charges and Expenses".

**Class Z Shares** are intended to be offered through intermediaries, distributors, platforms and/or Brokers/Dealers which,

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it is not allowed to receive and retain inducements.

The Class Z Shares may be available in other circumstances and jurisdictions at the discretion of the Board of Directors.

**The Company and the Management Company will not issue, execute a switch of or transfer Shares to any Investor who is deemed not to meet the above eligibility requirements. If it is identified at any time that a holder of one or several of the above Share Classes does not qualify, or no longer qualifies, the Company or the Management Company may, at any time, decide to compulsorily redeem said Shares in accordance with the conditions and procedures set forth in the Articles.**

A complete list of available Shares Classes may be obtained from the Franklin Templeton Internet site <http://www.franklintempleton.lu> or upon request at the registered office of the Company and the Management Company.

#### List of Qualifying Institutional Investors

- Institutional investors stricto sensu, such as banks and other regulated professionals of the financial sector, insurance and reinsurance companies, social security institutions and pension funds, charitable institutions, industrial, commercial and financial group companies, all subscribing on their own behalf, and the structures which such Institutional Investors put into place for the management of their own assets.
- Credit institutions and other regulated professionals of the financial sector investing in their own name but on behalf of Institutional Investors as defined above.
- Credit institutions and other regulated professionals of the financial sector established in Luxembourg or abroad which invest in their own name but on behalf of their non-institutional clients on the basis of a discretionary management mandate.
- Collective investment undertakings established in Luxembourg or abroad.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholders are Institutional Investors as described in the foregoing paragraphs.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholder(s)/ beneficial owner(s) is/are individual person(s) which is/are extremely wealthy and may reasonably be regarded as sophisticated investor(s) and where the purpose of the holding company is to hold important financial interests/investments for an individual or a family.
- A holding company or similar entity, whether Luxembourg based or not, which as a result of its structure and activity has a true substance and holds important financial interests / investments.

#### Alternative Currency Classes

Share Classes may be offered in the following currencies:

- Australian Dollar (AUD)
- Canadian Dollar (CAD)
- Czech Koruna (CZK)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Hungarian Forint (HUF)
- Israeli Shekel (ILS)
- Japanese Yen (JPY)
- Norwegian Krone (NOK)
- Polish Zloty (PLN)
- Renminbi (RMB)
- Singapore Dollar (SGD)
- South Africa Rand (ZAR)
- Swedish Krona (SEK)
- Swiss Francs (CHF)
- US Dollar (USD)
- UK Sterling (GBP)

or any other freely convertible currency.

Alternative Currency Classes offered in Renminbi (RMB) will only be available to professional investors and Institutional Investors in jurisdictions where the offer is authorised or lawful. The allotment of Shares in RMB is conditional upon receipt of purchase monies, including any applicable entry charge, which must be paid within four (4) Luxembourg Business Days of the Valuation Day unless the Board of Directors requires cleared funds on or prior to an application being accepted.

The offshore Renminbi market (CNH) rate will be used when determining the Net Asset Value of the Alternative Currency Classes denominated in RMB, not the onshore Renminbi (CNY). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions applied by the Chinese government from time-to-time as well as other external market forces. Where the term RMB is used in the Prospectus, it refers to the offshore Renminbi market (CNH).

The Net Asset Value of Alternative Currency Share Classes will be calculated and published in the alternative currency and purchase payments for such Classes are to be paid by the Investors, and sale proceeds are paid to selling Investors, in such alternative currency, unless otherwise authorised under the Prospectus. The Company does not currently intend to hedge the currency risks to which these Classes are exposed, except for Hedged Share Classes.

The terms and conditions applicable to the Share Classes available in alternative currency are the same as those which apply for the same Share Classes offered in the base currency.

The Board of Directors may decide to offer an Alternative Currency Share Class in another currency than those mentioned above in which case the Prospectus will be updated.

#### Hedged Share Classes

In respect of Hedged Share Classes, either the base currency exposure of the Fund may be hedged into the Hedged Share Class' alternative currency to reduce exchange rate fluctuations and to reduce return fluctuations (H1), or a hedging strategy may be applied in order to reduce the risk of currency movements between the currency of the Hedged Share Class and other material currencies of the securities and cash held



by said Fund (H2). Hedged Share Class using the first methodology will contain the abbreviation H1 in their denomination whereas Hedged Share Class using the second methodology will contain the abbreviation H2.

A third methodology, containing the abbreviation H3 may be applied to those Funds whose investment strategy is based on a currency ("Currency of Return") different from the Funds' base currency. H3 Hedged Share Classes include a hedging strategy which attempts, to the extent possible, to reduce the influence of changes in the exchange rate between the Funds' base currency and the Currency of Return.

Where currency controls imposed by a country's monetary authority prevent free movement of currency ("Restricted Currency"), a fourth hedging methodology, containing the abbreviation H4, may be used. The share class will be denominated in the base currency of the Fund but will hedge the Fund's base currency into the Fund Hedged Share Class' Restricted Currency for investors in that Restricted Currency.

H4 Hedged Share Class are designed to offer a currency hedging solution to the underlying investors of Brazilian feeder funds which, due to the trading restrictions on Brazilian Real ("BRL") cannot be achieved via a traditional currency hedged Share Class that would be denominated in BRL.

Whilst the reference currency of the H4 Hedged Share Class will be that of the Fund, the intention will be to systematically introduce the currency exposure into the value of the Share Class' NAV via the use of financial derivative instruments including non-deliverable forwards. The NAV of the H4 Hedged Share Class, although denominated in the base currency of the Fund, will thus fluctuate in line with the fluctuation of the exchange rate between the BRL and the Base Currency of the Fund. The effects of this will be reflected in the performance of the H4 Hedged Share Class which therefore may differ significantly from the performance of other Share Classes within the Fund. Any profit or loss as well as costs and expenses resulting from these transactions will be reflected exclusively in the NAV of the H4 Hedged Share Class.

The Brazilian feeder funds will seek to offer a currency hedging solution to their investors by combining the derivative instruments including non-deliverable forwards investment within the Hedged Share Class combined with the Currency Spot conversion in the Feeder Fund. A feeder fund is a fund that invests all or nearly all of its assets in another single collective scheme commonly referred to as a target fund.

The Brazilian feeder funds are based in Brazil and are managed by managing entities belonging to or affiliated with Franklin Templeton. H4 Hedged Share Classes are reserved for Institutional Investors as defined above which are collective investment schemes established in Brazil, managed by managing entities belonging to Franklin Templeton and which have been approved by the Management Company to purchase this Share Class.

Currency hedging techniques may be used at Share Class level. In this context, the Investment Manager(s) will limit hedging to the extent of the relevant Hedged Share Class selected currency exposure. Over-hedged positions will not normally exceed 105% of the Net Asset Value of the relevant Hedged Share Class and under-hedged positions shall not normally fall short of 95% of the portion of the Net Asset Value of the relevant Hedged Share Class which is to be hedged against selected currency risk. Hedged positions will be reviewed on an on-going basis by the Investment Manager(s), to ensure that over-hedged or under-hedged positions do not exceed/fall short of the permitted levels outlined above. In the event that the hedging in respect of a Hedged Share Class exceeds permitted tolerances due to market movements or Subscription/Redemptions of Shares, the Investment Manager(s) shall adjust such hedging appropriately.

Shareholders should also note that generally there is no segregation of assets and liabilities between Share Classes and therefore a counterparty to a derivative overlay entered into in respect of a Hedged Share Class may have recourse to the assets of the relevant Fund attributable to other Share Classes of that Fund where there is insufficient assets attributable to the hedged Share Class to discharge its liabilities. While the Company has taken steps to ensure that the risk of contagion between Share Classes is mitigated in order to ensure that the additional risk introduced to the Fund through the use of a derivative overlay is only borne by the Shareholders in the relevant Share Class, this risk cannot be fully eliminated.

An up-to-date list of the Share Classes utilising a currency overlay is available upon request at the registered office of the Company.

The terms and conditions applicable to the Hedged Share Classes are the same as those which apply for the same Share Classes offered in the base currency, the only difference being the hedging of the currency effects, as described in above paragraphs, through the use of a class specific currency overlay whose gains and losses will be attributable solely to the corresponding Hedged Share Class.

## **Entry Charge and Contingent Deferred Sales Charge**

### **Class A Shares and Class AX Shares**

- Entry Charge

The price at which Class A and Class AX Shares will be offered is the Net Asset Value per Share, plus an entry charge based on the total amount invested, varying per asset class as follows:

- Equity Funds, Alternative Funds, Balanced Funds and Multi-Asset Funds<sup>10</sup>: up to 5.75%
- Fixed Income Funds: up to 5.00%
- Money Market Funds: up to 1.50%

Out of this charge the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton. The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the relevant Fund.

If in any country in which the Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may sell Class A and Class AX Shares, and may authorise

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<sup>10</sup> Except for the Franklin Diversified Conservative Fund which has an entry charge of up to 5.00%.

sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Class A and Class AX Shares, within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

- Qualified Investments of USD 1 Million or More

In relation to qualified investments of USD 1 million or more in respect of Class A and Class AX Shares, the entry charge may be waived and a Contingent Deferred Sales Charge ("CDSC") of up to 1% may apply if an Investor sells Shares within 18 months after each investment in order to recover commissions paid to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors. The CDSC is up to 1.00% of the total cost of such Shares (exclusive of reinvested dividends distributions), and is retained by the Principal Distributor. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

Qualified investments are investments made either as a lump sum or through cumulative orders of the Investor, his spouse, his children and/or grandchildren if they are under the age of 18. For the purpose of the application of the qualified investments rules, shareholdings in other investment funds offered by Franklin Templeton may be combined at the Investor's request. Information on the investment funds which shares may be combined, and details of the procedure, terms and conditions applicable may be obtained from the Management Company upon request.

No switch with Shares of other Classes will be allowed for Shares subject to such contingent deferred sales charge.

#### **Class AS Shares**

The price at which Class AS Shares will be offered is the Net Asset Value per Share. The Principal Distributor does not apply an entry charge nor CDSC on purchases of Class AS Shares.

#### **Class B Shares**

The Board of Directors has resolved that as from April 1, 2016 no additional Class B Shares will be issued. Class B Shares purchased by Investors prior to April 1, 2016 are subject to a CDSC of up to 4% if such Investor sells Shares within four (4) years of purchase. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

Starting from January 2011, Class B Shares will be automatically converted into Class A Shares of the same Fund free of charge on the monthly scheduled conversion date fixed by the Management Company upon or following the expiry of 84 months after the date of their purchase. As a result, the terms and other conditions applicable to such Shares shall become those applicable to Class A Shares.

#### **Class C Shares**

The price at which Class C Shares will be offered is the Net Asset Value per Share. Purchases of Class C Shares are not subject to an entry charge. However, Class C Shares are subject to a CDSC of 1.00% if an Investor sells Shares within one (1) year of purchase. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

#### **Class F and G Shares**

The price at which Class F and G Shares will be offered is the Net Asset Value per Share. Purchases of Class F and G Shares are not subject to an entry charge. However, Class F and G Shares are subject to a CDSC of up to 3% if an Investor sells Shares within three (3) years of purchase. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

Class F and G Shares will be automatically converted into Class A Shares of the same Fund free of charge on the monthly scheduled conversion date fixed by the Management Company upon or following the expiry of 36 months after the date of their purchase. As a result, the terms and other conditions applicable to such Shares shall become those applicable to Class A Shares.

#### **Class N Shares**

- Entry Charge

The price at which Class N Shares will be offered is the Net Asset Value per Share, plus an entry charge of up to 3.00% of the total amount invested. This entry charge will apply for all different asset classes. Out of this charge the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton. The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the relevant Fund.

If in any country in which the Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may sell Class N Shares, and may authorise sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Class N Shares, within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

#### **Class I, J, S, EB, W, X, Y and Z Shares**

The price at which Class I, J, S, EB, W, X, Y and Z Shares will be offered is the Net Asset Value per Share. The Principal Distributor does not apply an entry charge nor CDSC on purchases of Class I, J, S, EB, W, X, Y and Z Shares.

For clarity sake, in compliance with applicable laws, regulations and market practice, intermediaries or distributors selling Class S, W, X, Y and Z Shares may apply their own selling charges. Investors shall consult their intermediary, distributors or own financial adviser to find more information about such charges (for Class W and Z Shares, such charges should not exceed 5.75% of the total amount invested).

#### **Calculation of CDSC**

The CDSC applicable for qualifying A, AX and G Shares is based on the Net Asset Value of the Shares when purchased. The CDSC for applicable B, C and F Shares is based on the Net Asset Value of the Shares being sold or their Net Asset Value when purchased, whichever is

less. The calculation is made based on the relevant currency of the Shares being sold. There is no CDSC on Shares acquired through reinvestment monies. To keep the CDSC as low as possible, each time an instruction to sell Shares is placed, any Shares in the Investor's Holding not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Shares will be sold in the order they were purchased. The amount of the CDSC is calculated by multiplying the percentages indicated in the chart displayed in Appendix E by the Net Asset Value of the Shares being sold or their Net Asset Value when purchased, whichever is applicable.

The holding period for the purposes of applying a CDSC on Shares of a particular Fund acquired through a switch of Shares from another Fund will be measured from the date that such Shares were initially acquired in the other Fund.

Amounts assessed as a CDSC are paid to the Principal Distributor, or such other party as the Company may from time to time appoint to defray distribution costs incurred by the Principal Distributor or such other party. The CDSC may be waived in whole or in part by the Principal Distributor and/or such other party at its discretion either for individual Investors or for particular groups of Investors. The Company has committed to pay to the Principal Distributor or the relevant third party the CDSC at the rates set forth in appendix E of this Prospectus net of any taxes. In case any taxes would be payable on said amounts, the amount of CDSC would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Prospectus, no reason to believe that any taxes are due or levied on the CDSC.

### Specific features of Share classes

Specific features of the Share classes offered are provided in the table below.

Investor Category	Retail / Institutional		Institutional		
	Classes A <sup>*</sup> , AS, AX, C, F, G, N <sup>*</sup> , W <sup>*</sup> and Z	Classes EB and S	Class I	Class J	Classes X and Y
Share Class Overview					
Minimum Investment	USD 1,000 <sup>*</sup>	Details available from the Company or the Management Company	USD 5,000,000 <sup>**</sup>	USD 150,000,000	Details available from the Company or the Management Company
Subsequent Investment	USD 1,000 <sup>*</sup>	Details available from the Company or the Management Company	USD 1,000	USD 1,000	Details available from the Company or the Management Company

<sup>\*</sup>except for the A, N and W Share Classes of the Franklin Emerging Markets Debt Opportunities Hard Currency Fund, Franklin Emerging Market Corporate Debt Fund and Franklin Emerging Market Sovereign Debt Hard Currency Fund which have a minimum initial investment of USD 100,000, and a minimum subsequent investment of USD 25,000, or the equivalent in any other freely exchangeable currency

<sup>\*\*</sup> except for the Franklin U.S. Government Fund which has a minimum initial investment of USD 1,000,000, or the equivalent in any other freely exchangeable currency

## HOW TO PURCHASE SHARES

### How to Apply

Prospective Investors should complete an application form and send it together with applicable identification documents (as detailed in the application form) to the Management Company in order to purchase Shares for the first time. Applications may also be accepted by telephone, facsimile, or electronic request if expressly allowed by the Management Company. The Management Company may request the original signed application form and identification documentation to be mailed, in which case it may delay the processing of the application form until their receipt. Applications will be accepted at the discretion of the Board of Directors or the Management Company.

Processing of all application forms received by a relevant Distributor will only commence once they have been forwarded to the Management Company or to a Distributor duly authorised in writing.

Investors should also provide the documentation required for anti-money laundering and terrorist financing purposes and as more fully described in the section "Anti-Money Laundering and Counter-Terrorist Financing Legislation".

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentary evidence from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.

The Company or the Management Company reserves the right to request additional information and/or confirmation from the Investor for large purchases into Class C Shares, which may result in a delay in the processing of the investment until receipt of the requested information/confirmation. Institutions acting as Nominee are permitted to purchase Class C, F and G Shares in their own name on behalf of

Investors provided that they have received explicit prior approval from the Management Company to do so and do apply an agreed procedure to monitor the aging of these Shares.

By applying for Class I, J, X and/or Class Y Shares, Investors represent to the Company and the Management Company that they qualify as one or more of the types of Institutional Investor(s) as listed in section "Share Classes" and undertake to indemnify the Company, the Management Company and/or any other entity of Franklin Templeton against any and all damages, losses, costs or other expenses they may incur as a result of acting in good faith of such a representation.

Each Investor will be given a personal Investor Portfolio Number which should be quoted, along with any relevant transaction references where applicable, whenever contacting the Company and/or the Management Company.

#### **Instructions to Purchase**

Initial purchase instruction for Shares should be made on the application form or any other similar application form accepted by the Management Company. For subsequent purchase in an existing Investor Portfolio, no further application form is required. However, private individual Investors instructing Franklin Templeton directly without using Brokers/Dealers will need to complete and sign a standard purchase form (available from our website or upon request). Any subsequent instruction to purchase Shares may be made by telephone, facsimile or electronic request, if expressly allowed by the Management Company. The Management Company may request a written and duly signed confirmation of the subsequent purchase instructions which may result in delay in the processing of the investment until receipt of the requested written confirmation. Subsequent purchase instructions will be accepted at the discretion of the Board of Directors or the Management Company.

The relevant KIID must be provided to Investors prior to purchasing Shares. Where applicable, Brokers/Dealers are responsible for providing Investors with the appropriate KIID. Please always contact your Broker/Dealer before purchasing Shares. If you do not have a Broker/Dealer you should contact the Management Company or your local Franklin Templeton office which will provide you with an electronic or paper copy of the relevant KIID.

Subsequent purchase instructions should be duly signed and:

- (a) state the name of the Fund(s), the Share Class, the Share Class ISIN code (available on the Franklin Templeton Internet site <http://www.franklintempleton.lu>) and number of Shares applied for in the Fund(s) (the number of Shares should be stated both in numbers and in words) or the amount (in numbers and in words) to be invested (which should include provision for any applicable entry charge);
- (b) state how payment has been or will be made; and
- (c) confirm that the relevant KIID has been provided.

If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Fund(s) Share Class quoted in the instruction, the order will be executed on the basis of the ISIN code quoted.

The Company and/or the Management Company reserve the right to accept or refuse application form or any purchase instruction in whole or in part and for any reason. If any application form or purchase instruction is not accepted in whole or in part, the purchase monies will be returned to the Investor at the risk and cost of the Investor.

An Investor may not withdraw his request for purchase except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of a purchase instruction will be effective only if written notification is received by the Management Company before termination of the period of suspension. Purchase monies will be returned to the Investor in such circumstances.

Investors should note that Class C, F and G Shares in the Franklin U.S. Dollar Short-Term Money Market Fund will be issued only in exchange for Class C, F and G Shares respectively in another Fund. Investors should refer to the section "How to Switch Shares" for details of any restrictions in relation to switching Shares.

Neither the Company nor the Management Company shall be responsible or liable to any applicant or Investor for any loss resulting from the non-receipt of any application form or purchase instruction by whichever method it is sent (including non-receipt of facsimile application forms).

#### **Purchase Price**

At launch date, Shares of the Fund are generally offered at USD 10, or currency equivalent (plus any applicable entry charge) of the total amount invested. From launch date onwards and for purchase instructions received and accepted by the Management Company for any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), Shares will be issued at the relevant Net Asset Value per Share determined on this Dealing Day (plus any applicable entry charges). Purchase monies may be required to be received by the Management Company or the relevant Distributor in cleared funds prior to processing of the instruction. In such case, the instruction will be processed on the basis of the Net Asset Value per Share determined on the Valuation Day when such funds are received by the Management Company (plus any applicable entry charge).

Unless otherwise stated in local version of this Prospectus, local specific information document to be provided to Investors, application form or marketing document, a complete instruction for the purchase of Shares received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (plus any applicable entry charge).

The Net Asset Value per Share will be calculated as detailed in the section "Calculation of the Net Asset Value" in Appendix D.

The Company and/or the Management Company will inform the registered Shareholder of the price at which the Shares have been issued on their Contract Note (refer to "Contract Note" section).

## **How to Pay**

Payments should be made by electronic bank transfer to the bank account set forth by the Principal Distributor (as detailed in the application form). Payments can be made in the currency of the Share Class. However, an Investor may, in certain instances as permitted by the Management Company, provide for payment in any other freely exchangeable currency, in which case, the necessary foreign exchange transaction will be arranged on behalf of, and at the expense of, the Investor. Investors are advised that payments made in any other freely exchangeable currency may be delayed until the next Valuation Day to allow for currency conversion.

The Board of Directors is authorised to accept purchase of Shares in whole or in part in specie, having due regard to the requirements prescribed by the laws of the Grand Duchy of Luxembourg. In the event the Investor is unable to provide clear title on the assets the Company has the right to bring an action against the defaulting Investor.

The allotment of Shares is conditional upon receipt of purchase monies, including any applicable entry charge, which must be paid within three (3) Business Days of the Valuation Day (or such other timeframe as set out in the local fund related documentation or applicable dealing guide) unless the Board of Directors requires cleared funds on or prior to an application being accepted. The allotment of Shares for Money Market Funds is conditional upon receipt of purchase monies, including any applicable entry charge, which must be paid within one (1) Luxembourg Business Day of the Valuation Day unless the Board of Directors requires cleared funds on or prior to an application being accepted. Until full payment of settlement monies, the applicant for Shares does not have legal ownership of such Shares. Where an applicant for Shares fails to pay settlement monies on subscription or to provide a completed application form (for an initial application) by the due date, the Company and/or the Management Company may decide to redeem the relevant Shares, at the cost of the applicant or his/her distributor. The applicant for Shares may be required to indemnify the Company or the Principal Distributor against any losses, costs or expenses incurred directly or indirectly as a result of the applicant's failure to pay for Shares applied for or to submit the required documents by the due date.

Where payments are made by electronic transfer or bank wire, the Management Company shall not be responsible for reconciling remittances of purchase monies where problems occur in the transmission, or as a result of inadequate or incorrect details on the transfer instructions. Bank charges in connection with an electronic transfer may be deducted from the proceeds of the transfer by the remitting bank, correspondents, agents or sub-agents, and the receiving bank may also deduct bank charges from such remittance.

## **HOW TO SELL SHARES**

### **Instructions to Sell**

Shares of any Class in any Fund can be sold on any Dealing Day. Instructions to sell Shares should be submitted to the Management Company in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction has not been submitted in writing, the Management Company may request a written and duly signed confirmation of such instruction, in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

As provided for in the Articles and within the limits contained therein, when the Company and/or the Management Company become aware that a shareholder (A) is a US Person or is holding shares for the account or benefit of a US Person; (B) is holding shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages or other material disadvantages or negative impact for the Company, its shareholders or its delegates active in the investment management and advisory of the Company; (C) has failed to provide any information or declaration required by the Company and/or the Management Company or (D) has a shareholding concentration which could, in the opinion of the Company and/or the Management Company, jeopardise the liquidity of the Company or any of its Funds qualifying as money market funds, the Company and/or the Management Company will either (i) direct such shareholders to redeem or to transfer the relevant shares to a person who is qualified or entitled to own or hold such shares or (ii) redeem the relevant shares.

Where a certificate has been issued in the name(s) of the Shareholder(s), the Board of Directors may require that such Share certificate, duly endorsed, be returned to the Management Company prior to the transaction being effectuated at any applicable Net Asset Value and therefore prior to payment being made.

The instruction must contain details of the personal Investor Portfolio Number, the Fund name, the Share Class(es) including ISIN code (available on the Franklin Templeton Internet site <http://www.franklintempleton.lu>), the number/value of Shares to be sold, the settlement currency and the bank details. If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted.

Any instruction to sell Shares may not be executed until any previous transaction involving the Shares to be sold has been completed and settled.

If the instruction would result in a Holding balance being less than USD 1,000 (or currency equivalent), the Company and/or the Management Company may redeem such Holding balance and pay the proceeds to the Investor.

The Company reserves the right not to be bound to accept the sale or switch on any Valuation Day more than 10% of the value of the Shares of any Fund. In these circumstances the sale of the Shares may be deferred for a period not exceeding ten (10) Luxembourg Business Days. These instructions to sell will be executed in priority to later instructions.

Neither the Company nor the Management Company shall be responsible or liable to any Investor for any loss resulting from the non-receipt of any instruction to sell, by whichever method it is sent.

An Investor may not withdraw an instruction to sell Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of the instruction to sell will be effective only if written notification is received by the Management Company before termination of the period of suspension. If the instruction is not so withdrawn, the sale of the Shares will be made on the next Valuation Day following the end of the suspension.

### **Sale Price**

A complete instruction to sell received and accepted by the Management Company or by a duly authorised Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day (less any applicable CDSC).

Unless otherwise stated in local version of this Prospectus, local specific information document to be provided to Investors, application form or marketing document, a complete instruction to sell received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (less any applicable CDSC).

The Net Asset Value per Share will be calculated on the basis detailed in the section "Calculation of the Net Asset Value" in Appendix D.

### **Payment of Sale Proceeds**

Payment for Shares sold will be made within three (3) Business Days (or such other timeframe as set out in the local fund related documentation or applicable dealing guide) after the instruction to sell has been received in good order and accepted by the Management Company and will normally be made in the Share Class currency by electronic bank transfer of funds unless otherwise instructed, except for Money Market Funds for which payment for Shares sold will be made within one (1) Business Days (or such other timeframe as set out in the local fund related documentation or applicable dealing guide). The Company and/or the Management Company, after careful due diligence, are not responsible for any delays or charges incurred at any receiving bank or settlement system, nor are they responsible for delays in settlement which may occur due to the time required for local processing of payments within some countries or by certain banks, local correspondent banks, payment agents or other agents. Payment may also be made in any freely exchangeable currency if requested within the instruction, at the cost and risk of the Investor.

If, in exceptional circumstances as described in Appendix D, the liquidity of the Fund does not permit payment of sale proceeds within three (3) Business Days from the relevant Valuation Day (or such other timeframe as set out in the local fund related documentation or applicable dealing guide), the sale proceeds will be paid as soon as reasonably practicable but without interest.

The Board of Directors is also authorised to extend the period for payment of sale proceeds to such period, not exceeding thirty (30) Luxembourg Business Days (shorter periods may however apply in some jurisdictions), as may be required by settlement and other constraints prevailing in the financial markets of countries in which a substantial part of the assets attributable to any Fund shall be invested, and this exclusively with respect to those Funds of the Company of which the investment objectives and policies provide for investments in equity securities of issuers in developing countries (namely the Franklin India Fund, the Franklin MENA Fund, the Templeton Asian Growth Fund, the Templeton Asian Smaller Companies Fund, the Templeton BRIC Fund, the Templeton China Fund, the Templeton Eastern Europe Fund, the Templeton Emerging Markets Dynamic Income Fund, the Templeton Emerging Markets Fund, the Templeton Emerging Markets Smaller Companies Fund, the Templeton Frontier Markets Fund and the Templeton Latin America Fund).

All payments are made at the Investor's risk with no responsibility on the part of the Distributors, the Investment Managers, the Management Company and/or the Company.

### **Sale Fees and Charges**

Payments for Shares sold may be subject to a CDSC if the Shares are sold within a defined number of years from the issue of the Shares. Full details of CDSC are provided in the section "Share Classes" and Appendix E of this Prospectus.

### **Sale in Specie**

With the prior consent of the Investor(s) concerned, and having due regard to the principle of equal treatment of Shareholders, the Board of Directors may satisfy the payment of sale proceeds in whole or in part in specie by allocating to the selling Investor(s) portfolio securities of the relevant Fund equal in value to the Net Asset Value of the Shares being sold.

### **HOW TO SWITCH SHARES**

A switch is a transaction to convert an Investor's Holding in a Share Class into another Share Class within the same Fund or the same Share Class or another Share Class in different Funds. The transaction is executed by selling Shares in the original Share Class followed by purchasing Shares in the new Share Class provided that the Investor's Holding meets the eligibility requirements for both the existing and the new Fund or Share Class.

Investors may, under certain circumstances, switch Shares of the Company into Shares or units of certain other investment funds of Franklin Templeton having a similar sales charge structure including same percentage of CDSC over the same period of time. Information on the investment funds into which Shares may be switched, and details of the procedure, terms and conditions for switch may be obtained from the Management Company upon request.

### **Class A and AX Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class A and Class AX Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class.

Class A Shares and Class AX Shares subject to a CDSC can only be switched with Class A or Class AX Shares subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch.

#### **Class AS Shares**

Class AS Shares can only be switched with Class AS Shares of another Fund which continues to issue Class AS Shares of the same currency and subject to such conditions imposed by the CPF Board from time to time.

#### **Class B Shares**

The Board of Directors has resolved that as from April 1, 2016 no additional Class B Shares will be issued. The existing Class B Shares purchased by Investors prior to April 1, 2016 can only be switched with Class B Shares of another Fund with existing Class B Shares of the same currency and subject to the same CDSC. Existing Class B Shares cannot be switched with Shares or units of other investment funds of Franklin Templeton. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class B Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class B Shares are not available in all Funds.

#### **Class C Shares**

Class C Shares can only be switched with Class C Shares of another Fund which continues to issue Class C Shares of the same currency and subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class C Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class C Shares are not available in all Funds and the further issue of Class C Shares of the same currency of any Fund may be suspended at any time by the Board of Directors.

#### **Class EB Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class EB Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class EB Shares is only permitted to Investors instructing through certain distributors, Brokers/Dealers, professional investors and/or other investors which fulfil the Class EB Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class F Shares**

Class F Shares can only be switched with Class F Shares of another Fund which continues to issue Class F Shares of the same currency and subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class F Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class F Shares are not available in all Funds and the further issue of Class F Shares of the same currency of any Fund may be suspended at any time by the Board of Directors.

#### **Class G Shares**

Class G Shares can only be switched with Class G Shares of another Fund which continues to issue Class G Shares of the same currency and subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class G Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class G Shares are not available in all Funds and the further issue of Class G Shares of the same currency of any Fund may be suspended at any time by the Board of Directors.

#### **Class I Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class I Shares can be switched with Shares in any other Fund or Share Class. Only Institutional Investors can switch their Shares into Class I Shares.

#### **Class J Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class J Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class. Switching into Class J Shares is only permitted to selected Institutional Investors who fulfil the Class J Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class N Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class N Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class.

#### **Class S Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class S Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class S Shares is only permitted to Investors instructing through certain distributors, Brokers/Dealers and/or professional investors which fulfil the Class S Shares eligibility requirements as per the conditions laid down in section "Share Classes".

### **Class W Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class W Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class W Shares is only permitted to Investors instructing through intermediaries, distributors, platforms and/or Brokers/Dealers which fulfil the Class W Shares eligibility requirements as per the conditions laid down in section "Share Classes".

### **Class X Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class X Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class X Shares, subject to the conditions laid down in section "Share Classes".

### **Class Y Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class Y Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class Y Shares, subject to the conditions laid down in section "Share Classes".

### **Class Z Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class Z Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class Z Shares is only permitted to Investors instructing through intermediaries, distributors, platforms and/or Brokers/Dealers which fulfil the Class Z Shares eligibility requirements as per the conditions laid down in section "Share Classes".

### **Instructions to Switch**

An instruction to switch Shares should be submitted to the Management Company in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors, except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction is not submitted in writing, the Management Company may request a written and duly signed confirmation of such instruction in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

No application form is required for Switching Shares. However, private individual Investors instructing Franklin Templeton directly without using Brokers/Dealers will need to complete and sign a standard switch form (available from our website or upon request). The relevant KIID must be provided to Investors prior to switching their Shares. Where applicable, Brokers/Dealers are responsible for providing Investors with the appropriate KIID. Please always contact your Broker/Dealer before switching Shares. If you do not have a Broker/Dealer you should contact the Management Company or your local Franklin Templeton office which will provide you with an electronic or paper copy of the relevant KIID.

The instruction must contain details of the personal Investor Portfolio Number and the number/value of Shares to be switched between named Funds and Share Classes including the ISIN codes (available on the Franklin Templeton Internet site <http://www.franklintempleton.lu>) and the confirmation that the relevant KIID has been provided. If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted. Investors may switch Shares on any Dealing Day.

The minimum initial investment in the new Fund is USD 1,000 (or currency equivalent). Any instruction which would result in a Holding balance being less than USD 1,000 (or currency equivalent) may not be executed. Investors should note that such minima (in case of switches in and Holding balance) are USD 25,000 (or currency equivalent) for the Class A, N and W Shares of the Franklin Emerging Markets Debt Opportunities Hard Currency Fund, Franklin Emerging Market Sovereign Debt Hard Currency Fund and Franklin Emerging Market Corporate Debt Fund.

Any instruction to switch Shares may not be executed until any previous transaction involving the Shares to be switched has been completed and settled. Where the sale is settled prior to the purchase, the sale proceeds will remain in the Company's collection bank account pending settlement of the purchase. No interest will accrue to the benefit of the Investor.

Any instruction to switch Shares between Funds denominated in differing currencies will be executed on the same Valuation Day. However, in exceptional circumstances, the Company or the Management Company may, at its own discretion, require one (1) additional Business Day in order to process the switch transactions. The Company reserves the right not to be bound to switch on any Valuation Day more than 10% of the value of the Shares of any Fund. In these circumstances the switch may be deferred for a period not exceeding ten (10) Business Days. These instructions to switch will be executed in priority to later instructions.

In certain limited circumstances as well as for distributions in certain countries and/or through certain sub-distributors and/or professional investors, the Company or the Management Company may require one (1) additional Business Day in order to process switch transactions. The additional day may be required for operational reasons in cases where currency conversion is required.

An Investor may not withdraw an instruction to switch Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of the instruction to switch will be effective only if written notification is received by the Management Company before termination of the period of suspension. If the instruction is not so withdrawn, the switch of the Shares will be made on the next Valuation Day following the end of the suspension.



### **Switch Price**

A complete switch instruction received and accepted by the Management Company or by a duly authorised Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day.

A complete switch instruction received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time, will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day.

The number of Shares issued will be based upon the respective Net Asset Value of the Shares of the two relevant Funds or Share Classes on the relevant Valuation Day(s).

### **Switch Fees and Charges**

A switch charge of up to 1.00% of the value of the Shares to be switched may be applied for distribution in certain countries and/or through certain Distributors and/or professional investors. Such charge shall be automatically deducted when the number of Shares is calculated and paid by the Company.

In certain circumstances a switch from any one Fund or Share Class will necessitate a fee equivalent to the difference between the two levels of entry charges unless the Investor, as a result of prior switches, has already paid the entry charge rate differential.

It is currently anticipated that any switch charge or entry charge rate differential will be paid to the Principal Distributor, who may, in turn, pay a portion of each differential to Distributors, intermediaries, Brokers/Dealers and/or professional investor. However, the entry charge rate differential may be waived at the discretion of the Company and/or the Management Company.

### **HOW TO TRANSFER SHARES**

A transfer is a transaction for the purpose of transferring an Investor Holding to another Investor.

An instruction to transfer Shares should be submitted to the Management Company in writing or by a duly signed Share transfer form together with, if issued, the relevant Share certificate to be cancelled, or if expressly permitted, by telephone, facsimile or electronic means. The instruction must be dated and signed by the transferor(s), and if requested by the Company and/or the Management Company also signed by the transferee(s), or by persons holding suitable powers of attorney to act therefore.

Acceptance of the transfer by the Management Company will be subject to the transferee(s) having an accepted application by the Company, and meeting all Fund and Share Class eligibility requirements.

Any request to transfer Shares will only be executed once any previous transaction involving the Shares to be transferred has been completed and full settlement on those Shares received.

If the transfer instruction would result in a Holding balance being less than USD 1,000 (or currency equivalent) the Company and/or the Management Company may redeem such Holding balance and pay the proceeds to the Investor.

Transfer of Shares will be effected in accordance with the rules applicable to the relevant stock exchange in Luxembourg where the shares are listed.

The Shares are freely transferable. The Articles provide that the Board of Directors is entitled to impose restrictions as they may think necessary for the purposes of ensuring that no Shares are acquired or held by (a) any person in violation of or subject to the applicable laws or regulations of any country or government authority or (b) any person in circumstances which, in the opinion of the Board of Directors, might result in the Company incurring any liability of taxation or suffering any other disadvantage which the Company might not otherwise have incurred. The Shares transferred may be subject to specific conditions, including CDSC. Investors should ensure that they are aware of all specific conditions applicable to such Shares.

### **DIVIDEND POLICY**

In respect of all Funds which issue Distribution Shares, it is the intention of the Board of Directors to distribute substantially all of the income attributable to the Distribution Shares. Subject to any legal or regulatory requirements, dividends may also be paid out of the capital of such Funds. Subject to any legal or regulatory requirements, the Board of Directors reserves the right to introduce new Share Classes, which may retain and re-invest their net income.

Annual dividends may be declared separately in respect of each Fund at the Annual General Meeting of Shareholders.

Interim Share dividends may be paid upon a decision of the Board of Directors and/or the Management Company in relation to any of the Funds.

It is anticipated that distributions will be made under normal circumstances as set out in the table below:

Share type	Share name	Payments
Accumulation Shares	A (acc), AS (acc), AX (acc), B (acc), C (acc), F (acc), G (acc), I (acc), J (acc), N (acc), S (acc), EB (acc), W (acc), X (acc), Y (acc) and Z (acc)	No distribution of dividends shall be made but the net income attributable will be reflected in the increased value of the Shares
Distribution Shares	A (Mdis), AS (Mdis), AX (Mdis), B (Mdis), C (Mdis), F (Mdis), G (Mdis), I (Mdis), J (Mdis), N (Mdis), S (Mdis), EB (Mdis), W (Mdis), X (Mdis), Y (Mdis) and Z (Mdis)	Under normal circumstances it is anticipated that distribution will be made monthly (following the end of each month)
	A (Qdis), AS (Qdis), AX (Qdis), B (Qdis), C (Qdis), F (Qdis), G (Qdis), I (Qdis), J (Qdis), N (Qdis), S (Qdis), EB (Qdis), W (Qdis), X (Qdis), Y (Qdis) and Z (Qdis)	Under normal circumstances it is anticipated that distribution will be made quarterly (following the end of each calendar quarter)
	A (Bdis), AS (Bdis), AX (Bdis), B (Bdis), C (Bdis), F (Bdis), G (Bdis), I (Bdis), J (Bdis), N (Bdis), S (Bdis), EB (Bdis), W (Bdis), X (Bdis), Y (Bdis) and Z (Bdis)	Under normal circumstances it is anticipated that distribution will be made bi-annually (normally in July and in January each year)
	A (Ydis), AS (Ydis), AX (Ydis), B (Ydis), C (Ydis), F (Ydis), G (Ydis), I (Ydis), J (Ydis), N (Ydis), S (Ydis), EB (Ydis), W (Ydis), X (Ydis), Y (Ydis) and Z (Ydis)	Under normal circumstances it is anticipated that distribution will be made yearly (normally in July/August each year)
	A (Mdirc), AS (Mdirc), AX (Mdirc), B (Mdirc), C (Mdirc), F (Mdirc), G (Mdirc), I (Mdirc), J (Mdirc), N (Mdirc), S (Mdirc), EB (Mdirc), W (Mdirc), X (Mdirc), Y (Mdirc) and Z (Mdirc)	Under normal circumstances it is anticipated that distribution will be made monthly (following the end of each month)

In order to receive dividends on Distribution Shares, Investors must be registered as holders of such Distribution Shares on the register of Shareholders on the Valuation Day determined by the Company as being the distribution accounting date.

Dividends of registered Distribution Shares will normally be reinvested in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate, unless otherwise stated in the application form. Such further Distribution Shares will be issued on the ex-dividend date. The price will be calculated in the same way as for other issues of Shares of that Fund on the Valuation Day on which the price of the Distribution Shares of that Fund goes ex-dividend. Fractional Shares will be rounded to three decimal places. No entry charge will be payable. Investors not wishing to use this reinvestment facility should complete the appropriate section of the application form. In the event that cash dividends are payable they will be paid to holders of registered Distribution Shares who have elected to receive dividends in cash, payment normally being made by transfer of funds. However, the Board of Directors may decide that any dividend below USD 50 (or currency equivalent) will be reinvested in further Shares of the same Share Class instead of being paid directly to the Investors. Dividends to be paid in any other freely exchangeable currency will be converted at the Investor's expense.

When dividends of USD 250 (or currency equivalent) or less cannot be paid to a registered Investor due to missing data or payment unable to be effected, the Company or the Management Company reserves the right, unless otherwise disclosed in a local supplement to the Prospectus, to automatically re-invest such dividends and any subsequent dividends to be paid in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate until receipt of instructions in good order from the Investor.

If a dividend has been declared but not paid within a period of five (5) years, the Company will, as it is entitled to do under the laws of the Grand Duchy of Luxembourg, declare the dividend forfeited and such unpaid dividend will accrue for the benefit of the relevant Fund.

In respect of each dividend declared, the Board of Directors and/or the Management Company may determine if, and to what extent, such dividend is to be paid out of realised and unrealised capital gains and in the case of Funds which distribute income gross of expenses from initially subscribed capital, regardless of capital losses, increased or decreased, as the case may be, by the portion of investment income and capital gains attributable to Shares issued and to Shares redeemed.

#### Share Classes with the suffix "dirc"

Distributing Share Classes with the suffix "dirc" are offered as part of a currency Hedged Share Class.

Such Share Classes will normally pay dividends on a monthly basis in the currency of the relevant Hedged Share Class. The monthly dividend rate per Share will be variable and will be calculated based on the estimated gross annual yield of the relevant Fund's portfolio attributable to that Share Class and the addition of the estimated interest rate carry, when such carry is deemed to be positive.

The interest rate carry is based on the approximate Interest Rate Differential between the Hedged Share Class currency and the base currency of the Fund resulting from a currency hedging strategy. This is calculated using a 12-month rolling average of the differential between the 1 month FX forward rate and the spot rate of the two currencies at each month end. The Investment Manager may decide to distribute less than 100%, but will never aim to pay more than 100% of the estimated Interest Rate Differential.

Investors should be aware that "dirc" Share Classes give priority to dividends, rather than to capital growth and will typically distribute more than the income received by the Fund. As such, dividends may be paid out of capital, resulting in erosion of the capital invested. Investors are invited to consider more in particular the Class Hedging risk and Dividend Policy risk under the section "Risk Considerations".

#### Share Classes with the suffix "pc" or "am"

Distributing Share Classes with the suffix "pc" or "am" may make monthly, quarterly, bi-annual or annual distributions based on fixed percentage or amount per annum, gross of fees and expenses, as more fully disclosed in the Key Investor Information Document and in the "Dividend Schedule" available on the [www.franklintempleton.lu](http://www.franklintempleton.lu) website or upon request from the Management Company. A numerical suffix differentiates Share Classes with fixed distribution rates (e.g. 2, 3). For the avoidance of doubt, the numerical suffix of the Share Class does not correspond to the actual fixed percentage or amount of the Share Class. The actual fixed percentage or amount to be distributed is not displayed in the Share Class name.

**It should be remembered that dividend distributions are not guaranteed, that the Funds do not pay interest and that the price of Shares in the Funds and any income earned on the Shares may go down as well as up. It should also be remembered that any dividend distribution lowers the value of the Shares in the Funds by the amount of the distribution. Future earnings and investment performance can be affected by many factors, including changes in exchange rates, not necessarily within the control of the Company, its Board of Directors, officers, the Management Company or any other person. No guarantees as to future performance of, or future return from, the Company can be given by the Company itself, or by any Director or officer of the Company, by the Management Company, by Franklin Templeton, or any of its worldwide affiliates, or by any of their directors, officers or employees.**

#### **Equalisation of Income**

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issues and the costs of sale of Shares, equivalent on a per Share basis to the amount of undistributed investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed investment income per Share is unaffected by issues or redemptions of Shares. However, in respect of any Fund offering only Accumulation Shares, the Board of Directors and/or the Management Company reserve the right not to apply equalisation.

#### **MANAGEMENT COMPANY REMUNERATION**

Franklin Templeton International Services S.à r.l., for performing, as Management Company, the investment management services and for any expenses incurred in connection with Investors liaison and administration of Shares, receives from the Company an annual management charge equivalent to a certain percentage per annum of each Fund's adjusted daily net assets during the year ("annual management charge") paid monthly. Details of such annual management charge are provided in Appendix E. The Management Company where applicable pays part of this annual management charge to various (i) Investment Managers, as described in section "Investment Management Fees" and (ii) third party distributors, intermediaries and Brokers/Dealers for the distribution of Shares outside the United States of America (also known as "maintenance charge"). Such maintenance charge is intended to compensate distributors, intermediaries and Brokers/Dealers for providing distribution or other services to the Investors, including but not limited to the enhancement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services. Any request for additional information regarding any such payments should be addressed by the Investors to their relevant intermediaries. The Management Company may also, in its sole discretion, pay all or part of the annual management charge to Institutional Investors which satisfy certain conditions, including minimum investment amounts. Details of such maintenance charge are provided in the annual report of the Company.

For performing registrar and transfer, corporate, domiciliary and administrative functions for the Company, the Management Company receives as remuneration from the Company an annual fee of up to 0.20% of the Net Asset Value of the relevant Share Class, an additional amount (consisting of a fixed and variable component) per Investor Holding at the relevant Class level over each one (1) year period, and a fixed amount per year to cover part of its organisational expenses. Such remuneration will be calculated and accrued daily and will be paid monthly in arrears. This annual fee includes any remuneration paid to J.P. Morgan Bank Luxembourg S.A. for its services rendered to the Company as Administrative Agent.

Pursuant to Article 11bis of the 2010 Law, the Management Company has established and apply a remuneration policy which is consistent with, and promote sound and effective risk management. Such policies and practices must not encourage risk taking which is inconsistent with the risk profile, prospectus or Article of the Company, and must not impair compliance with the Management Company's duty to act in the best interest of the Company.

The remuneration requirements apply to categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Management Company or the Company. The remuneration includes a fixed (essentially the base salary) and variable component (annual bonuses). The level of funding of the annual bonus (which can be paid in cash, equity awards or a combination of both) is dependent on overall FRI corporate performance, is approved by a compensation committee and is granted with reference to the actual performance of the relevant individual. A significant portion of the bonus can be deferred for at least three years and payment of bonus is subject to claw back provisions. The details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, how it is consistent with the integration of sustainability risks, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the compensation committee is available on the Internet site: <http://www.franklintempleton.lu>, by selecting "Our Company", "Regulatory Information" tabs (a paper copy will be made available free of charge upon request).

#### **INVESTMENT MANAGEMENT FEES**

For the investment management services that it provides to the Funds, the Management Company receives from the Company, as part of the annual management charge, a monthly investment management fee equivalent to a certain percentage per annum of each Fund's adjusted daily net assets during the year. Details of investment management fees are provided in the annual report of the Company. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.

Consistent with obtaining best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to Brokers/Dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such Brokers/Dealers. The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the views and information of individuals and research staffs of other firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Managers.

The Investment Managers may enter, with Brokers/Dealers that are entities and not individuals, into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Managers, including the Company, and where the Investment Managers are satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interest of the Company. Any such arrangement must be made by the Investment Managers on terms commensurate with best market practice. The use of soft commissions shall be disclosed in the periodic reports.

## **OTHER COMPANY CHARGES AND EXPENSES**

The Principal Distributor may be entitled to receive any applicable entry charge, of up to 5.75% of the total amount invested, as further described in the section "Share Classes". The entry charge shall in no case exceed the maximum permitted by the laws, regulations and practice of any country where the Shares are sold.

The Principal Distributor may enter into contractual arrangements with various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of Shares outside the United States of America. Payments of fees or commissions to various sub-distributors, Brokers/Dealers or other intermediaries may be made out of the annual management charges, servicing charges or other related similar fees normally paid to the Principal Distributor, when such payments are expected to enhance the quality of the distribution or other services provided to the Investors, including but not limited to the improvement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services.

As remuneration for the services rendered to the Company as Depositary J.P. Morgan Bank Luxembourg S.A. will receive an annual fee depending on the nature of the investments of the different Funds in a range from 0.01% to 0.14% of the Net Asset Values of the assets of the different Funds, with possible higher depositary annual fees for those Funds of the Company the investment objectives and policies of which provide for investments in equity securities of issuers in developing countries, as reflected in more detail in the Funds' relevant total expense ratio (TER) and in the Company financial reports. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary by the Company.

Such fees do not include normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Company as well as any reasonable out-of-pocket expenses incurred in connection with the Company, and chargeable to the Company and fees for other services as agreed from time to time. The amounts effectively paid will be shown in the Company's financial statements.

The Company bears its other operational costs including, but not limited to, the costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, insurance premiums, interest charges, reporting and publication expenses, postage, telephone and facsimile expenses. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund. The Company may, from time to time, pay certain fees to the Management Company for onward allocation to various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors relating to placing certain Funds on sales platforms designed to bring about a wider distribution of Fund Shares. Such costs would only be allocated among the Funds placed on such platforms.

All charges and expenses pursuant to the above are exclusive of value added taxes or other taxes chargeable thereon, which should be paid by the Fund as required.

## **SERVICING CHARGES**

A servicing charge may be applicable depending on the Share Class invested in. The charge is applied to the average Net Asset Value and is paid to the Principal Distributor and/or other party in order to compensate the Principal Distributor and/or other party for any financing costs and expenses incurred by it in connection with sales of Shares and the handling of CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor and/or other party.

The Company has committed to pay the Principal Distributor or the relevant third party the servicing charge at the rates as provided in Appendix E, net of any taxes. In case any taxes would be payable on said amounts, the amount of servicing charge would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Prospectus, no reason to believe that any taxes are due or levied on the servicing charge.

Full details of servicing charges are provided in Appendix E.

## **PERFORMANCE FEES**

For the purpose of the Performance Fee calculation:

- **High Water Mark** shall be calculated by reference to (i) the initial launch price or (ii) the NAV as of the last Valuation Day which formed the basis of an accrual within the relevant Performance Period, for which a Performance Fee was paid, whichever is the higher.
- **Target NAV** shall be the High Water Mark adjusted by the daily Target Benchmark return.
- **Performance Period** shall normally be each fiscal year, except where a Share Class with a Performance Fee is launched during the fiscal year, in which case its first performance period will commence on the launch date.
- **Target Benchmark** is the applicable benchmark as indicated in Appendix E and shall be expressed in the currency in which the relevant Share Class is denominated or hedged into.

The Management Company may be entitled to receive from the net assets attributable to a Share Class an annual performance-based incentive fee (the "Performance Fee") which, if applicable, will be calculated and accrued daily and payable as of the end of each fiscal year. Details of Performance Fees are provided in Appendix E. The Investment Manager(s) will be remunerated by the Management Company out of the Performance Fees received from the Company. It should be noted that Share Classes with Performance Fee will have a lower annual management charge than Share Classes with no Performance Fee (as details in Appendix E).

The Performance Fee becomes due in the event of outperformance, that is, if the increase in the NAV during the relevant Performance Period (after deduction of any subscription and/or redemption fees levied) exceeds (i) the increase in the Target Benchmark over the same period and (ii) the applicable High Water Mark point.

The Performance Fee is accrued on each Dealing Day, on the basis of the difference between the NAV on the preceding Dealing Day (before deduction of any provision for the Performance Fee) and the Target NAV, multiplied by the number of Shares then outstanding. The Performance Fee shall be calculated and expressed in the currency in which the relevant Share Class is denominated or hedged into.

On each Dealing Day, the accounting provision made on the immediately preceding Dealing Day is adjusted to reflect the Share Class performance, positive or negative, calculated as described above. If the NAV on a given Dealing Day is lower than the Target NAV, the provision made on such Dealing Day is adjusted for the relevant Share Class within the relevant Fund.

If Shareholders redeem all or part of their Shares before the end of a Performance Period, any accrued Performance Fee with respect to such Shares will crystallise on that Dealing Day and will then become payable.

It should be noted that the Performance Fee is calculated on the basis of the performance of the Share Class of the relevant Fund, rather than on the basis of an individual Investor Portfolio.

The examples provided below illustrate the potential difference in returns between a Share Class with a Performance Fee and a Share Class without a Performance Fee in different scenarios over the fiscal year. The examples are for illustrative purposes only. The returns shown are for illustrative purposes only and there is no guarantee that any Fund will achieve these returns.

**Example 1: a fund outperforms the performance fee benchmark over the fiscal year**

- Fund's cumulative Share Class return before fees and expenses is 10.00%
- Cumulative Performance Fee benchmark return is 6.00%
- Performance Fee rate is 20%
- Total annual management charge for share class with a Performance Fee is 1.00%
- Total annual management charge for share class without a Performance Fee is 1.50%

	A Share Class with a Performance Fee	A Share class without a Performance Fee
<i>Gross cumulative Share Class return</i>	10%	10%
<i>Less annual management charge</i>	1.00%	1.50%
<i>Cumulative Share Class return after annual management charge</i>	9.0%	8.5%
<i>Less Performance Fees (i.e. 20% of excess performance) (see note 1 below)</i>	0.6%	n/a
<i>Net Cumulative Share Class return after Performance Fees</i>	8.4%	8.5%

Note 1: Performance Fees = 20% x (Share Class return after annual management charge - cumulative benchmark return )

**Example 2: a fund underperforms the performance fee benchmark over the fiscal year**

- Fund's cumulative Share Class return before fees and expenses is 5.00%
- Cumulative Performance Fee benchmark return is 6.00%
- Performance Fee rate is 20%
- Total annual management charge for share class with a Performance Fee is 1.00%
- Total annual management charge for share class without a Performance Fee is 1.50%

	A Share Class with a Performance Fee	A Share class without a Performance Fee
<i>Gross cumulative Share Class return</i>	5%	5%
<i>Less annual management charge</i>	1.00%	1.50%
<i>Cumulative Share Class return after annual management charge</i>	4.0%	3.5%
<i>Less Performance Fees (i.e. 20% of excess performance)</i>	n/a	n/a
<i>Net cumulative Share Class return after Performance Fees</i>	4.0%	3.5%

Performance Fees = 20% x (Share Class return after annual management charge - cumulative benchmark return)

**BENCHMARK REGULATION**

EU Benchmark Regulation

In accordance with the provisions of Regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation"), supervised entities may use benchmarks in the European Union if the benchmark is provided by an administrator which is included in the register of administrators and benchmarks maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the Benchmark Regulation (the "Register"). Benchmark administrators located in the European Union whose indices are used by the Funds benefit from the transitional provisions under

the Benchmark Regulation and accordingly may not yet appear on the Register. Benchmark administrators located in the European Union should apply for authorisation or registration as an administrator under the Benchmark Regulation and be inscribed in the Register by 1 January 2020. Benchmark administrators located in a third country whose indices are used by the Funds benefit from the transitional arrangements afforded under the Benchmark Regulation and accordingly may not appear on the Register.

The Benchmark Regulation requires the Management Company to produce and maintain robust written plans setting out the actions that it would take in the event that a benchmark (as defined by the Benchmark Regulation) materially changes or ceases to be provided. The Management Company maintains a written plan setting out the actions that will be taken in the event that an index materially changes or ceases to be provided. The written plan is available upon request and free of charge at the registered office of the Management Company.

The following benchmarks are used by the Funds for the purposes indicated in the table below.

<b>Fund</b>	<b>Benchmark</b>	<b>Benchmark Administrator</b>	<b>Purpose</b>
Franklin Emerging Market Sovereign Debt Hard Currency Fund	J. P. Morgan Emerging Market Bond Index Global Diversified Index	J.P. Morgan Securities LLC.	Asset allocation
Franklin K2 Alternative Strategies Fund <sup>11</sup>	LIBOR	ICE Benchmark Administration Limited	Performance fee

### **TAXATION OF THE COMPANY**

The following information is based on the laws, regulations, decisions and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of Shares and is not intended as tax advice to any particular Investor or potential Investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than the Grand Duchy of Luxembourg. Investors should inform themselves of and, when appropriate, consult their professional advisors on the possible tax consequences of purchasing, buying, holding or disposing of Shares under the laws of their country of citizenship, residence, domicile or incorporation.

The Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income and is not subject to the Grand Duchy of Luxembourg's net wealth tax.

The Company, however, is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax. In order to qualify under the current reduced tax rate of 0.01% (instead of the tax of 0.05% referred to above), the Franklin U.S. Dollar Short-Term Money Market Fund will be invested in a manner that the weighted average remaining maturity of all securities and instruments comprised in the portfolios of the respective Funds does not exceed twelve months. For the purpose of calculating the residual maturity of each single security or instrument, the financial instruments attached thereto shall be taken into account. For the securities or instruments whose terms of issue provide for an adjustment of their interest rate by reference to market conditions, the residual maturity until the date on which the rate is adjusted shall be considered.

Class I, Class J, Class X and Class Y Shares may also qualify for the reduced tax rate of 0.01% if all the Investors of these Share Classes are respectively Institutional Investors.

No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of the Shares in the Company. A EUR 75 registration duty is to be paid upon incorporation and each time the Articles are amended.

Under current laws and practice, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws.

<sup>11</sup> As from November 1, 2021, the Benchmark of the Franklin K2 Alternative Strategies Fund will be amended as follows:

<b>Fund</b>	<b>Benchmark</b>	<b>Benchmark Administrator</b>	<b>Purpose</b>
Franklin K2 Alternative Strategies Fund	Euro Short-Term Rate (ESTR)	European Central Bank	Performance fee
	Swiss Average Rate Overnight (SARON)	SIX Swiss Exchange	Performance fee
	Secured Overnight Financing Rate (SOFR)	Federal Reserve Bank of New York	Performance fee
	Sterling Overnight Index Average (SONIA)	Bank of England	Performance fee
	Tokyo Overnight Average Rate (TONAR)	Bank of Japan	Performance fee

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin at varying rates. The Company may benefit in certain circumstances from double taxation treaties, which the Grand Duchy of Luxembourg has concluded with other countries.

#### **WITHHOLDING TAX**

Distributions made by the Company are not subject to withholding tax in the Grand Duchy of Luxembourg.

#### **TAXATION OF INVESTORS**

Investors should note that certain Share Classes may make distributions from capital, net realised and net unrealised capital gains as well as income gross of expenses. This may result in Investors receiving a higher dividend than they would have otherwise received and therefore Investors may suffer a higher income tax liability as a result. In addition, in some circumstances, this may mean that the Fund pays dividends from capital property as opposed to income property. Such dividends may still be considered income distributions for tax purposes in the hands of Investors, depending on the local tax legislation in place. In case of share classes charging Performance Fees, Investors should note that such Performance Fees may, depending on the local tax legislation in place, not be considered as a deductible expense for investor taxation purposes. Investors should seek their own professional tax advice with regard to these matters.

#### **Luxembourg**

Investors are currently not subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in the Grand Duchy of Luxembourg (except for Investors domiciled, resident or having a permanent establishment in the Grand Duchy of Luxembourg).

#### **Automatic Exchange of Financial Account Information**

On 29 October 2014, the Grand Duchy of Luxembourg signed the Multilateral Competent Authority Agreement (the "MCAA") on the implementation of the Global Standard for the automatic exchange of financial account information. By signing the MCAA, Luxembourg agreed to implement regulations to enable the adoption of automatic exchange of information with other MCAA signatory countries.

On 9 December 2014, the European Council adopted Directive 2014/107/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2014/107/EU provides for the automatic exchange of account information between Member States of the European Union ("EU Member States"), reporting commenced in 2017 in relation to accounts held in the 2016 calendar year. Directive 2014/107/EU has been implemented in the Grand Duchy of Luxembourg by the law of 18 December 2015 relating to the automatic exchange of financial account information in tax matters (the "2015 Law"), which was effective from 1 January 2016.

Investors are hereby notified that the Company may be required by Luxembourg law to report details of specified accounts of account holders resident in EU Member States or MCAA signatory jurisdictions. The Luxembourg Tax Authorities may share such account data in accordance with Directive 2014/107/EU and the MCAA with the Tax Authorities of other EU Member States and MCAA signatory jurisdictions, where the account holder is tax resident. The information which may be reported includes, in the case of an individual, the reportable person's name, address, tax identification number, date and place of birth, balance of the account and the total gross amount paid or credited to the account in respect of the relevant reporting period.

**The foregoing is only a summary of the implications of Directive 2014/107/EU, the MCAA and the 2015 Law. The summary is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of Directive 2014/107/EU, the MCAA and the 2015 Law.**

#### **FATCA**

The Foreign Account Tax Compliance Act ("FATCA"), which is an amendment to the U.S. Internal Revenue Code, was enacted in the United States in 2010 and many of the operative provisions became effective on 1 July 2014. Generally, FATCA requires financial institutions outside the US ("foreign financial institutions" or "FFIs") to provide the U.S. Internal Revenue Service ("IRS") with information about financial accounts held directly or indirectly by certain specified U.S. persons. A 30% withholding tax is imposed on certain types of U.S. source income paid to an FFI that fails to comply with FATCA. On 28 March 2014, the Grand Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America and a memorandum of understanding in respect thereof. The Company hence has to comply with such Luxembourg IGA, as implemented into Luxembourg law by the law of 24 July 2015 relating to FATCA (the "FATCA Law") in order to comply with the provisions of FATCA rather than directly complying with the U.S. Treasury Regulations implementing FATCA. Under the FATCA Law and the Luxembourg IGA, the Company will be required to collect information aiming to identify its direct and indirect Shareholders that are U.S. Persons for FATCA purposes ("reportable accounts"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America pursuant to Article 28 of the convention between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996. The Company intends to comply with the provisions of the FATCA Law and the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the FATCA Law place upon it.

To ensure the Company's compliance with FATCA, the FATCA Law and the Luxembourg IGA in accordance with the foregoing, Franklin Templeton International Services S.à r.l., in its capacity as the Company's Management Company, may:

- a. request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Shareholder's FATCA status;
- b. report information concerning a Shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a U.S. reportable account under the FATCA Law and the Luxembourg IGA; and
- c. report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution.

## **United Kingdom**

It is intended that certain Share Classes offered by the Company will meet the conditions to qualify as "reporting" for the purposes of the United Kingdom tax legislation relating to offshore funds. The annual reports to investors will be made available on the Internet site: <http://www.franklintempleton.co.uk>. The list of such Share Classes may also be available on the above Internet site or may be obtained at the registered office of the Company.

## **MEETINGS AND REPORTS**

The Annual General Meeting of Shareholders is held at the registered office of the Company on November 30 of each year or, if such day is not a Luxembourg Business Day, on the Luxembourg Business Day immediately following the 30th day of November. If no publications are required by law or imposed by the Board of Directors, notices to shareholders may be communicated by registered mail, by e-mail or by way of another means of communication. Notices of all meetings for which a publication is otherwise required will be published in the *d'Wort* and in the *Recueil Electronique des Sociétés et Associations* (hereafter "RESA") at least fifteen (15) calendar days prior to the meeting. Such notices may also be made available on Internet sites as the Board of Directors shall from time to time determine. They will include the agenda and specify the time and place of the meeting, the conditions of admission and will refer to the requirements of the laws of the Grand Duchy of Luxembourg with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in articles 67 and 67-1 of the law of 10 August 1915 (as amended) relating to commercial companies and in the Articles of the Company.

The audited annual reports and unaudited semi-annual reports will be available on the following Franklin Templeton Internet site, <http://www.franklintempleton.lu>, or may be obtained upon request at the registered office of the Company and the Management Company; they are only distributed to registered Shareholders in those countries where local regulation so requires. The complete audited annual reports and unaudited semi-annual reports are available at the registered office of the Company and the Management Company. The accounting year of the Company ends on 30 June of each year.

## **INVESTOR VOTING RIGHTS**

At any general meetings of the Shareholders of the Company, each Shareholder will be entitled to one vote for each whole Share held, whatever Class and regardless of the Net Asset Value per Share within the Share Class(es).

A Shareholder of any particular Fund or Share Class will be entitled at any separate meeting of the Shareholders of that Fund or Share Class to one vote for each whole Share of that Fund or Share Class held, whatever Class and regardless of the Net Asset Value per Share within the Share Class(es).

In the case of joint Shareholders, only the first named Shareholder may vote, whom the Company may consider to be the representative of all joint Shareholders, except where a Shareholder has been expressly nominated by all joint Shareholders or where a written authority has been given.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Articles may be obtained at the registered office of the Company and the Management Company.



**APPENDIX A**

**STANDARD DEALING CUT-OFF TIMES**

Unless otherwise disclosed in a local supplement to the Prospectus, any agreement or marketing material, requests for purchase, sale or switch of Shares (the "Transactions") received by one of the Franklin Templeton offices listed below on a Dealing Day before the appropriate Dealing Cut-Off Time will be dealt on that day on the basis of the Net Asset Value per Share of the relevant Share Class calculated on that day.

**Standard Dealing Methods**

(in writing, by telephone, facsimile, or electronic request (including e-mail) if expressly allowed by the Management Company)

**Luxembourg office**

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b>
Any country where the Company is registered for distribution, unless mentioned below under another local Franklin Templeton office	18:00 CET	18:00 CET	18:00 CET

**Frankfurt office**

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share classes</b>
. Austria . Germany . Switzerland	16:00 CET	16:00 CET	16:00 CET
. the Netherlands	18:00 CET	18:00 CET	18:00 CET

**Hong Kong office (North Asia region)**

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b>
. Hong Kong . Macau . South Korea	16:00 HKT	16:00 HKT	16:00 HKT

**Singapore office (South-East Asia and Australasia regions, as may be applicable)**

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b>
. Singapore	16:00 SGT	16:00 SGT	16:00 SGT

**American office**

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b>
Caribbean Latin America	16:00 EST	16:00 EST	12:00 EST (except H4, which is 16:00 EST)

**Electronic Dealing**

(Swift, Direct Electronic link with Franklin Templeton or via Franklin Templeton electronic service if allowed by the Management Company)

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b>	<b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b>
Any Country where the Shares of the Company can be distributed and/or where electronic service is available	22:00 CET	22:00 CET	18:00 CET

Investors domiciled in countries not listed above but where transactions in Shares of the Company are allowed under all applicable laws and regulations should contact the client service's representative of the nearest Franklin Templeton office. This information is available on the Internet site <http://www.franklintempleton.lu>.

**Definitions**

CET: Central Europe time

EST: Eastern Standard time (USA)

HKT: Hong Kong Standard Time

SGT: Singapore Standard time

## APPENDIX B

### INVESTMENT RESTRICTIONS

The Board of Directors has adopted the following restrictions relating to the investment of the Company's assets and its activities unless otherwise provided for in sub-section 5 "Specific Investment Restrictions And Portfolio Rules For Money Market Funds" below. These restrictions and policies may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Company in which case this Prospectus will be updated.

The investment restrictions imposed by Luxembourg law must be complied with by each Fund which does not qualify as a Money Market Fund.

#### **1. INVESTMENT IN TRANSFERABLE SECURITIES AND LIQUID ASSETS**

- a) The Company will invest in one or more of the following type of investments:
- (i) transferable securities and Money Market Instruments admitted to or dealt on a Regulated Market;
  - (ii) transferable securities and Money Market Instruments dealt on another market in a member state of the European Economic Area (a "Member State") which is regulated, operates regularly and is recognised and open to the public;
  - (iii) transferable securities and Money Market Instruments admitted to official listing on a stock exchange in a non-EU Member State or dealt on another market in a non-EU Member State, which is regulated, operates regularly and is recognised and open to the public;
  - (iv) recently issued transferable securities and Money Market Instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or on another Regulated Market, in the countries of the areas referred to under (i), (ii) and (iii) above, which operates regularly and is recognised and open to the public, and such admission is secured within a year of the purchase;
  - (v) units of UCITS and/or other UCIs, whether situated in a Member State or not, provided that:
    - such other UCIs have been authorised under the laws of any EU Member State or under laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in EU law and that cooperation between authorities is sufficiently ensured,
    - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009,
    - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
    - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs;
  - (vi) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in EU law;
  - (vii) financial derivative instruments, including equivalent cash-settled instruments, dealt on a Regulated Market referred to in subparagraph (i) to (iv) above, and/or financial derivative instruments dealt over-the-counter ("OTC derivatives"), provided that:
    - the underlying consists of instruments covered by this appendix under 1. a), financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives,
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority,
    - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative,
  - (viii) Money Market Instruments other than those dealt on a Regulated Market and which fall under 1. a), if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
    - issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
    - issued by an undertaking any securities of which are dealt on Regulated Markets referred to above, or

- issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by the EU law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by EU law, or
  - issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least 10 million euro and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which include one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- b) The Company may invest up to 10% of the net assets of any Fund in transferable securities and Money Market Instruments other than those referred to in (a) above;
- c) Each Fund of the Company may hold ancillary liquid assets;
- d) (i) Each Fund of the Company may invest no more than 10% of its net assets in transferable securities and Money Market Instruments issued by the same body. Each Fund of the Company may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in 1. a) (vi) above or 5% of its net assets in other cases.
- (ii) The total value of the transferable securities and Money Market Instruments held in the issuing bodies in each of which any Fund invests more than 5% of its net assets must not exceed 40 % of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph 1. d) (i), a Fund may not combine:

- investments in transferable securities or Money Market Instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body,

in excess of 20% of its net assets.

- (iii) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 35% where the Fund has invested in transferable securities or Money Market Instruments issued or guaranteed by a Member State, by its local authorities, by a non-Member State or by public international bodies of which one or more Member States are members.
- (iv) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 25% for bonds issued by a credit institution which has its registered office in a Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.  
If a Fund invests more than 5% of its net assets in the bonds above and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of the Fund.
- (v) The transferable securities and Money Market Instruments referred to in paragraphs 1. d) (iii) and 1. d) (iv) are not included in the calculation of the limit of 40% referred to in paragraph 1. d) (ii).

The limit set out above under 1. d) (i), (ii), (iii) and (iv) may not be combined, and thus investments in transferable securities or Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with section 1. d) (i), (ii), (iii) and (iv) may not exceed a total of 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained under 1. d). A Fund may cumulatively invest up to 20% of its net assets in transferable securities and Money Market Instruments within the same group.

- (vi) Without prejudice to the limits laid down in paragraph e), the limits laid down in this paragraph d) shall be 20% for investments in shares and/or bonds issued by the same body when the aim of a Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Luxembourg supervisory authority, provided
- the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.
- The limit laid down in the subparagraph above is raised to 35% where it proves to be justified by exceptional market conditions in particular in Regulated Markets where certain transferable securities or Money Market Instruments are highly dominant provided that investment up to 35% is only permitted for a single issuer.

- (vii) **Where any Fund has invested in accordance with the principle of risk spreading in transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member**

**state of the G20, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's net assets.**

- e) The Company or any Fund may not invest in voting shares of companies allowing it to exercise a significant influence in the management of the issuer. Further, a Fund may acquire no more than (i) 10% of the non-voting shares of any single issuing body, (ii) 10% of the debt securities of any single issuing body, (iii) 25% of the units of any single collective investment undertaking, (iv) 10% of the Money Market Instruments of any single issuing body. However, the limits laid down under (ii), (iii) and (iv) may be disregarded at the time of acquisition if, at that time, the gross amount of the bonds or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

The limits under this section e) shall not apply to (i) transferable securities or Money Market Instruments issued or guaranteed by a Member State, its local authorities, or public international bodies of which one or more Member States are members or by any other State, nor to (ii) shares held by the Company in the capital of a company incorporated in a State which is not a Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State, provided that, however, the Company, in its investment policy, complies with the limits laid down in Articles 43 and 46 and in paragraphs (1) and (2) of Article 48 of the Law of 17 December 2010.

- f) (i) Unless otherwise provided in the investment policy of a specific Fund, each Fund will not invest more than 10% of its net assets in UCITS and other UCIs.
- (ii) In the case restriction f) (i) above is not applicable to a specific Fund, as provided in its investment policy, such Fund may acquire units of UCITS and/or other UCIs referred to in paragraph 1. a) (v), provided that no more than 20% of a Fund's net assets be invested in the units of a single UCITS or other UCI.

For the purpose of the application of this investment limit, each compartment of a UCITS and/or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

- (iii) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Fund.
- (iv) When a Fund invests in the units of UCITS and/or other UCIs linked to the Company by common management or control, or by a substantial direct or indirect holding, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.

In respect of a Fund's investments in UCITS and other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Fund and each of the UCITS or other UCIs concerned shall not exceed 2% of the value of the relevant investments. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.

- (v) A Fund may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all compartments combined.
- (vi) The underlying investments held by the UCITS or other UCIs in which the Funds invest do not have to be considered for the purpose of the investment restrictions set forth under 1. d) above.

- g) A Fund may subscribe, acquire and/or hold shares to be issued or issued by one or more other Funds without the Fund being subject to the requirements of the law of 10 August 1915 on commercial companies (as amended) with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the conditions however that:

- (i) the target Fund does not, in turn, invest in the Fund invested in this target Fund; and
- (ii) no more than 10% of the assets that the target Fund whose acquisition is contemplated may be invested in units of UCITS and/or other UCIs; and
- (iii) voting rights, if any, attaching to the shares of the target Fund are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- (iv) in any event, for as long as these shares are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 17 December 2010; and
- (v) there is no duplication of management/entry or sale charges between those at the level of the Fund having invested in the target Fund, and this target Fund.

- h) The Company may not (i) acquire for the benefit of any Fund securities which are partly paid or not paid or involving liability (contingent or otherwise) unless according to the terms of issue such securities will or may at the option of the holder become free of such liabilities within one year of such acquisition and (ii) underwrite or subunderwrite securities of other issuers for any Fund.

- i) The Company may not purchase or otherwise acquire any investment in which the liability of the holder is unlimited.

- j) The Company may not purchase securities or debt instruments issued by the Investment Managers or any connected person or by

the Management Company.

- k) The Company may not purchase any securities on margin (except that the Company may, within the limits set forth in clause 2. e) below, obtain such short term credit as may be necessary for the clearance of purchases or sales of securities) or make uncovered sales of transferable securities, Money Market Instruments or other financial instruments referred to above; except that the Company may make initial and maintenance margin deposits in respect of futures and forward contracts (and options thereon).

## 2. INVESTMENT IN OTHER ASSETS

- a) The Company may not purchase real estate, nor acquire any options, rights or interest in respect thereof, provided that the Company may invest for the account of any Fund in securities secured by real estate or interest therein or in securities of companies investing in real estate.
- b) The Company may not make investments in precious metals or certificates representing them.
- c) The Company may not enter into direct commodities transactions or commodity contracts, except that the Company may, in order to hedge risk, enter into financial futures on such transactions within the limits laid down in clause 3 below.
- d) The Company may not make loans to other persons or act as a guarantor on behalf of third parties or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness or any person in respect of borrowed monies, provided that for the purpose of this restriction:
  - (i) the acquisition of bonds, debentures or other corporate or sovereign debt obligations (whether wholly or partly paid) and investment in securities issued or guaranteed by a member country of the OECD or by any supranational institution, organisation or authority, short-term commercial paper, certificates of deposit and bankers' acceptances of prime issuers or other traded debt instruments shall not be deemed to be the making of a loan; and
  - (ii) the purchase of foreign currency by way of a back-to-back loan shall not be deemed to be the making of a loan.
- e) The Company may not borrow for the account of any Fund, other than amounts which do not in aggregate exceed 10% of the net assets of the Fund, taken at market value and then only as a temporary measure. The Company may, however, acquire foreign currency by means of a back-to-back loan.
- f) The Company may not mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness, any of the securities or other assets of any Fund, except as may be necessary in connection with the borrowings mentioned in clause e) above. The purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed the pledge of the assets.

## 3. FINANCIAL DERIVATIVE INSTRUMENTS

The Company may use financial derivative instruments for investment, hedging and efficient portfolio management purposes, within the limits of the Law of 17 December 2010. Under no circumstances shall the use of these instruments and techniques cause a Fund to diverge from its investment policy.

Each Fund may invest in financial derivative instruments within the limits laid down in clause 1. a) (vii) provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in clause 1. d) (i) to (v). When a Fund invests in index-based financial derivative instruments, these investments do not have to be combined in respect of the limits laid down in clause 1. d). When a transferable security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to prudential supervision and belonging to the categories approved by the CSSF for the purposes of OTC derivative transactions and specialised in these types of transactions.

As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure to the counterparty if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability as further set out below. Collateral primarily consist of cash and highly rated sovereign bonds. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. The types of asset used as eligible collateral exchanged will vary based on the agreement with each counterparty, and typically consist of cash, US Treasury bills or US government agency bonds supported by the full faith and credit of the US government and/or core Eurozone sovereign or agency debt. The eligible collateral and corresponding haircut used for each type of asset is consistent with the requirements of Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (more commonly referred to as the "EU uncleared OTC derivatives margin regulation"), as may be amended or supplemented from time to time. Net exposures are calculated daily by counterparty and are subject to the terms of the agreements, which include a minimum transfer amount which is typically less than Euro 500,000. The minimum transfer amount provides a threshold, below which, no collateral is exchanged. If the counterparty's net exposure to the Fund exceeds the minimum transfer amount the Fund will be required to post collateral to the counterparty. Collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure.

Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested if reinvestment is consistent with the provisions established in the Credit Support Annex ("CSA") of the International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") executed with the relevant counterparty and provided that any reinvestment is consistent with the risk diversification requirements detailed in Appendix B "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in MMFR, (b) deposits with credit institutional having its registered office in a Member

State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.

In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.

The Global Exposure relating to financial derivative instruments is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

The Company shall ensure that the Global Exposure of each Fund relating to financial derivative instruments does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings (as referred to in clause 2. e) above) so that it may not exceed 210% of any Fund's total net assets under any circumstances.

The Funds apply either the Value-at-Risk (VaR) or the Commitment Approach to calculate their Global Exposure, whichever is deemed to be appropriate.

When the investment objective of a Fund indicates a benchmark against which the performance might be compared, the method used to calculate the Global Exposure may consider a different benchmark than the one mentioned for performance or volatility purposes in said Fund's investment objective.

#### Currency Hedging

The Company may, in respect of each Fund, for the purpose of hedging currency risks, have outstanding commitments in forward currency contracts, currency futures, written call options and purchased put options on currencies and currency swaps either quoted on an exchange or dealt in on a Regulated Market or entered into with highly rated financial institutions.

Subject to the implementation of the currency hedging techniques below, commitments in one currency may not exceed the aggregate value of securities and other assets held by the relevant Fund denominated in such currency (or other currencies that fluctuate in a substantially similar manner to such currency).

In this context, the Company may, in respect of each Fund, engage in the following currency hedging techniques:

- hedging by proxy, i.e. a technique whereby a Fund effects a hedge of the reference currency of the Fund (or benchmark or currency exposure of the assets of the Fund) against exposure in one currency by instead selling (or purchasing) another currency closely related to it, provided however that these currencies are indeed likely to fluctuate in the same manner. Guidelines followed in determining that one currency moves in a substantially similar manner to another currency include the following: i) the correlation of one currency to another currency is proven over a significant period of time to be over 85%; ii) the two currencies are, by explicit government policy, scheduled to participate in European Monetary Union (Eurozone countries) on a set future date (which would include using the euro itself as a proxy for hedging bond positions denominated in other currencies scheduled to become part of the euro on a set future date); and iii) the currency used as the hedging vehicle against the other currency is part of a currency basket against which the central bank for that other currency explicitly manages its currency within a band or corridor that is either stable or sloping at a predetermined rate.
- cross-hedging, i.e. a technique whereby a Fund sells a currency to which it is exposed and purchases more of another currency to which the Fund may also be exposed, the level of the base currency being left unchanged, provided however that all such currencies are currencies of the countries which are at that time within the Fund's benchmark or investment policy and the technique is used as an efficient method to gain the desired currency and asset exposures.
- anticipatory hedging, i.e. a technique whereby the decision to take a position on a given currency and the decision to have some securities held in a Fund's portfolio denominated in that currency are separate, provided however that the currency which is bought in anticipation of a later purchase of underlying portfolio securities is a currency associated with those countries which are within the Fund's benchmark or investment policy.

#### Total return swaps transactions

A Fund which is authorised as per its investment policy to invest in total return swaps but which does not enter into such transactions as of the date of this Prospectus may however enter into total return swaps transactions provided that the maximum proportion of the net assets of that Fund that could be subject to such transactions does not exceed 30% and that the relevant section relating to this individual Fund is updated accordingly at the next available opportunity. In such cases, the counterparty to the transaction will be a counterparty approved and monitored by the Management Company or the Investment Manager. At no time will a counterparty in a transaction have discretion over the composition or the management of a Fund's investment portfolio or over the underlying of the total return swap. While there are no predetermined legal status or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process. The Funds' actual activity in total return swaps is disclosed in the Company's financial statements for all Funds which are engaged in total return swap contracts.

The following types of assets can be subject to total return swaps: equity, currency and/or commodity indices (such as, but not limited to Morgan Stanley Balanced Ex Energy Index, Morgan Stanley Balanced Ex Grains Index, Morgan Stanley Balanced Ex Industrial Metals Index, Morgan Stanley Balanced Ex Precious Metals Index or Morgan Stanley Balanced Ex Softs Index), volatility variance swaps as well as fixed income, most notably high yield corporate and bank loan related exposures.

The risk of counterparty default and the effect on investors returns are more fully described under section "Risk Considerations".

Where a Fund enters into total return swaps transactions as of the date of this Prospectus, the expected proportion of such Fund's net assets that could be subject to total return swaps transactions shall be calculated as the sum of notionals of the derivatives used and is set out in the "Fund Information, Objectives and Investment Policies" section of the relevant Fund. If and when a Fund enters into total return swaps transactions, it is for the purpose of generating additional capital or income and/or for reducing costs or risks.

All revenues arising from total return swaps transactions will be returned to the relevant Fund, and the Management Company will not take any fees or costs out of those revenues additional to the investment management fee for the relevant Fund as set out under section "Investment Management Fees".

#### 4. USE OF TECHNIQUES AND INSTRUMENTS RELATING TO TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS

##### a) Repurchase and reverse repurchase agreement transactions and securities lending transactions

###### (i) Types and purpose

To the maximum extent allowed by, and within the limits set forth in, the Law of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of 8 February 2008 relating to certain definitions of the Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and 14/592, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non-optional repurchase and reverse repurchase agreement transactions and (B) engage in securities lending transactions.

As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability as further set out below.

The form and nature of the collateral will primarily consist of cash and highly rated sovereign fixed income securities that meets particular ratings criteria. Eligible collateral for securities lending transactions would be negotiable debt obligations (collectively "AA - Level Sovereign Bonds") issued by governments (such as Australia, Belgium, Canada, Denmark, France, Germany, the Netherlands, Norway, New Zealand, Sweden, Switzerland, the United States, the United Kingdom, etc.), having a credit rating of at least AA- from S&P and/or Aa3 from Moody's, respectively and denominated in the official currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation-linked securities). The collateral received by the Company in respect of repurchase agreements transactions may be US Treasury bills or US government agency bonds supported by the full faith and credit of the US government and/or core Eurozone sovereign or agency debt rated AA- or above. Acceptable tri-party collateral used in relation to the Custodial Undertaking in connection with the Master Repurchase agreement include, US Treasuries (Bill, Notes, and Bonds), and the following Government Sponsored Agencies: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp (FHLMC), and Federal Farm Credit System (FFCB).

The collateral shall have a final maturity of no more than 5 years from the date the repurchase transaction is entered.

The value of the securities received or posted as collateral shall also be equal to, or greater than, 102% of the amount of the repurchase, reverse repurchase or securities lending transaction. The additional collateral, above 100%, provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount. Collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure.

Non-cash collateral received is not sold, reinvested or pledged.

Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in Appendix B "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in MMFR, (b) deposits with credit institutional having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.

In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.

###### (ii) Limits and conditions

###### – Securities lending transactions

Unless otherwise provided in the relevant Fund's investment policy, a Fund may utilise up to 50% of its assets for securities lending transactions. The volume of the securities lending transactions of each Fund shall be kept at an appropriate level or each Fund shall be entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and that these transactions do not jeopardise the management of each Fund's assets in accordance with its investment policy. The counterparties



to securities lending transactions are selected following an initial analysis, and subsequent annual review thereafter, of financial statements, company announcements, credit ratings and other market information which includes general market movements. While there are no predetermined legal status, credit rating or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process.

When entering into securities lending transactions, a Fund must also comply with the following requirements:

- (i) The borrower in a securities lending transaction must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;
- (ii) A Fund may lend securities to a counterparty directly (A) itself or (B) as part of a standardised lending system organised by a recognised clearing house or by a first-class financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those provided by EU law and specialised in this type of transaction. Goldman Sachs International Bank and JPMorgan Chase Bank, N.A., London Branch, shall act as lending agents for securities lending on behalf of a Fund;
- (iii) A Fund may only enter into securities lending transactions provided that it is entitled at any time under the terms of the agreement to request the return of the securities lent or to terminate the agreement;

As of the date of this Prospectus, equity securities is the only type of assets subject to securities lending transactions.

Where a Fund enters into securities lending transactions as of the date of this Prospectus, the expected proportion of such Fund's net assets that could be subject to securities lending transactions is set out in the "Fund Information, Objectives and Investment Policies" section of the relevant Fund.

A Fund that does not enter into securities lending transactions as of the date of this Prospectus has therefore a 0% expected proportion of use into these transactions, it being noted that the relevant Fund may however enter into securities lending transactions provided that the maximum proportion of the net assets of that Fund that could be subject to such transactions does not exceed 50% and that the relevant section relating to this individual Fund is updated accordingly at the next available opportunity. The Funds' actual activity in securities lending transactions is disclosed in the Company's financial statements for all Funds which have signed securities lending agreements.

The risks related to the use of securities lending transactions and the effect on investors returns are more fully described under section "Risk Considerations".

For the avoidance of doubt, the Funds qualifying as Money Market Funds will not enter into securities lending transactions.

#### – **Repurchase and reverse repurchase agreement transactions**

Unless otherwise provided in the relevant Fund's investment policy, a Fund may utilise up to 50% of its assets for repurchase agreement transactions, but a Fund's exposure to any single counterparty in respect of repurchase agreement transactions is limited to (i) 10% of its assets where the counterparty is a credit institution having its registered office in an EU Member State or subject to equivalent prudential rules, and (ii) 5% of its assets in other cases. The counterparties to repurchase and reverse repurchase agreement transactions are selected following an initial analysis, and subsequent annual review thereafter, of financial statements, company announcements, credit ratings and other market information which includes general market movements. While there are no predetermined legal status, credit rating or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process. The volume of the repurchase and reverse repurchase agreement transactions of each Fund shall be kept at a level such that the Fund is able, at all times, to meet its redemption obligations towards shareholders. Further, each Fund must ensure that, at maturity of the repurchase or reverse repurchase agreement transactions, it has sufficient assets to be able to settle the amount agreed with the counterparty for the restitution of the securities to the Fund. Any incremental income generated from repurchase or reverse repurchase agreement transactions will be accrued to the relevant Fund.

The following types of assets can be subject to repurchase and reverse repurchase agreement transactions: sovereign debt, securities, corporate and government bonds, non-agency residential mortgage-backed securities and commercial mortgage-backed securities, possibly other asset-backed securities.

Where a Fund enters into repurchase or reverse repurchase agreement transactions as of the date of this Prospectus, the expected proportion of such Fund's net assets that could be subject to repurchase or reverse repurchase agreement transactions is set out in the "Fund Information, Objectives and Investment Policies" section of the relevant Fund.

A Fund that does not enter into repurchase or reverse repurchase agreement transactions as of the date of this Prospectus has therefore a 0% expected proportion of use into these transactions, it being noted that the relevant Fund may however enter into repurchase or reverse repurchase agreement transactions provided that the maximum proportion of the net assets of that Fund that could be subject to such transactions does not exceed 50% and that the relevant Fund policy is updated accordingly at the next available opportunity. The Funds' actual activity in repurchase or reverse repurchase agreement transactions is disclosed in the Company's financial statements for all Funds which are engaged in repurchase or reverse repurchase agreement transactions.

#### – **Costs and revenues of securities lending and/or repurchase and/or reverse repurchase agreement transactions**

Direct and indirect operational costs and fees arising from securities lending transactions and/or repurchase and/or reverse repurchase agreement transactions may be deducted from the revenue delivered to the relevant Fund. These costs and fees shall not include hidden revenue. All the revenues arising from such transactions, net of direct and indirect operational costs, will be returned to the relevant Fund. The annual report of the Company shall contain details of the revenues arising from securities lending transactions and/or repurchase agreement and/or reverse repurchase transactions for the entire reporting period together with the direct and indirect operational costs and fees incurred. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers or other financial institutions or intermediaries and may be related parties to the Management Company and/or the Depositary Bank.

All revenues arising from repurchase and/or reverse repurchase agreement transactions will be returned to the relevant Fund, and the Management Company will not take any fees or costs out of those revenues additional to the investment management fee for the relevant Fund as set out under section "Investment Management Fees".

The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund. Any incremental income generated from securities lending transactions will be accrued to the relevant Fund.

(iii) Conflicts of Interest

No conflicts of interest to note. The Investment Manager of the relevant Fund does not intend to lend the securities of the Fund to its related corporations.

(iv) Collateral

Collateral received by the relevant Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (a) Any collateral received other than cash should be of high quality, highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- (b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Fund's net asset value to any single issuer on an aggregate basis, taking into account all collateral received. By way of derogation, a Fund may be fully collateralised in different transferable securities and Money Market Instruments issued or guaranteed by a EU Member State, one or more of its local authorities, a Third Country, or a public international body to which one or more EU Member States belong. In such event, the relevant Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Fund's net asset value;
- (e) It should be capable of being fully enforced by the relevant Fund at any time without reference to or approval from the counterparty;
- (f) Where there is a title transfer, the collateral received will be held by the Depositary in accordance with the Depositary's safekeeping duties under the Depositary Agreement. For other types of collateral arrangements, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- (g) Collateral received shall have a quality of credit of investment grade.

Collateral will be valued on each Valuation Day, using the last available market prices and taking into account appropriate discounts determined for each asset class based on the applicable haircut policy. The Collateral will be marked to market daily and depending on the current market exposure and collateral balance, the collateral may be subject to margin movement when and if certain predetermined thresholds are crossed.

**For the avoidance of doubt, the provisions of this section are also applicable to Money Market Funds provided they are not incompatible with the provisions of MMFR.**

## 5. SPECIFIC INVESTMENT RESTRICTIONS AND PORTFOLIO RULES FOR MONEY MARKET FUNDS

### Specific investment restrictions

By derogation to points 1 to 3 above, the Board of Directors has adopted the following restrictions in relation to the investments of the Funds qualifying as Short-Term Variable Money Market Funds. These restrictions and policies may be amended from time to time by the Board of Directors as they shall deem it to be in the best interest of the Company in which case this Prospectus will be updated.

- D) Each Fund may exclusively invest in the following eligible assets:
- A) Money Market Instruments that fulfil all of the following requirements:
  - a) It falls within the following categories:
    - i) Money Market Instruments admitted to or dealt in on a Regulated Market, admitted to official listing on a stock exchange; and/or
    - ii) Money Market Instruments other than those dealt in on a Regulated Market, if the issuer or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
      1. issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or
      2. issued by an undertaking, any securities of which are dealt in on Regulated Markets referred to in a) i) above; or
      3. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law; or

4. issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in 1 and 3 above and provided that the issuer is a company whose capital and reserves amount to at least EUR 10,000,000 and which presents and publishes its annual accounts in accordance with Directive 2013/34/EU, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- b) it displays one of the following alternative characteristics
1. it has a legal maturity at issuance of 397 days or less;
  2. it has a residual maturity of 397 days or less;
- c) the issuer of the Money Market Instrument and the quality of the Money Market Instrument have received a favourable assessment pursuant to the internal credit quality assessment procedure established by the Management Company;  
This requirement shall not apply to Money Market Instruments issued or guaranteed by the EU, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility.
- d) where the Funds invest in a securitisation or ABCP, it is subject to the requirements laid down in B below.
- B) 1) Eligible securitisation and ABCPs provided that the securitisation or ABCP is sufficiently liquid, has received a favourable assessment pursuant to the internal credit quality assessment procedure established by the Management Company, and is any of the following:
- a) a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) 2015/61<sup>12</sup>;
  - b) an ABCP issued by an ABCP programme which:
    1. is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks, as well as ongoing transaction costs and ongoing programme-wide costs related to the ABCP, if necessary to guarantee the investor the full payment of any amount under the ABCP;
    2. is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position;
    3. does not include a synthetic securitisation as defined in point (11) of Article 242 of Regulation (EU) No 575/2013<sup>13</sup>;
  - c) a simple, transparent and standardised (STS) securitisation, as determined in accordance with the criteria and conditions laid down in Articles 20, 21 and 22 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, or an STS ABCP, as determined in accordance with the criteria and conditions laid down in articles 24, 25 and 26 of that Regulation.
- 2) The Fund may invest in the securitisations or ABCPs provided any of the following conditions is fulfilled, as applicable:
- a) the legal maturity at issuance or residual maturity and ABCPs of the securitisations referred to in 1) a), b) and c) above is two years or less and the time remaining until the next interest rate reset date is 397 days or less;
  - b) the legal maturity at issuance or residual maturity of the securitisations or ABCPs referred to in 1) b) and c) above is 397 days or less;
  - c) the securitisations referred to in 1) a) and c) above are amortising instruments and have a Weighted Average Life of two years or less.
- C) Deposits with credit institutions provided that all of the following conditions are fulfilled:
- a) the deposit is repayable on demand or is able to be withdrawn at any time;
  - b) the deposit matures in no more than 12 months;
  - c) the credit institution has its registered office in a EU Member State or, where the credit institution has its registered office in a Third Country, it is subject to prudential rules considered equivalent to those laid down in EU law in accordance with the procedure laid down in Article 107(4) of Regulation (EU) No 575/2013.
- D) Repurchase agreements provided that all the following conditions are fulfilled:
- a) It is used on a temporary basis, for no more than seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point c) below;
  - b) the counterparty receiving assets transferred by the relevant Fund as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the prior consent of the Company;
  - c) The cash received by the relevant Fund as part of the repurchase agreement is able to be:
    1. placed on deposits in accordance with C) above; or
    2. invested in liquid transferable securities or Money Market Instruments other than those referred to in I) A) above provided that those assets comply with one of the following conditions:
      - (i) they are issued or guaranteed by the Union, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received pursuant to the internal credit rating assessment procedure established by the Management Company;
      - (ii) they are issued or guaranteed by a central authority or central bank of a non-EU Member State, provided that a favourable assessment has been received pursuant to the internal credit rating assessment procedure of the Management Company.
- Cash received by the relevant Fund as part of the repurchase agreement shall not otherwise be invested in other assets, transferred or otherwise reused.
- d) Cash received by the relevant Fund as part of the repurchase agreement does not exceed 10% of its assets.
  - e) The Company has the right to terminate the agreement at any time upon giving prior notice of no more than two working days.
- E) Reverse repurchase agreements provided that all of the following conditions are fulfilled:

<sup>12</sup> Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

<sup>13</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

- a) the Fund has the right to terminate the agreement at any time upon giving prior notice of no more than two working days;
- b) the assets received by the Fund as part of a reverse repurchase agreement shall:
1. be Money Market Instruments that fulfil the requirements set out in I) A) above;
  2. not include securitisations and ABCPs;
  3. have a market value which is at all times at least equal to the cash paid out;
  4. not be sold, reinvested, pledged or otherwise transferred;
  5. be sufficiently diversified with a maximum exposure to a given issuer of 15% of the Fund's net asset value except where those assets take the form of Money Market Instruments that fulfil the requirements of III) a) (viii) below;
  6. be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- By way of derogation from (1) above, the Fund may receive as part of a reverse repurchase agreement liquid transferable securities or Money Market Instruments other than those referred to in I) A) above provided that those assets comply with one of the following conditions:
- (i) they are issued or guaranteed by the European Union, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received pursuant to the internal credit quality assessment procedure established by the Management Company.
  - (ii) they are issued or guaranteed by a central authority or central bank of a non-EU Member State, provided that a favourable assessment has been received pursuant to the internal credit quality assessment procedure of the Management Company;
- The assets received as part of a reverse repurchase agreement in accordance with the above shall fulfil the diversification requirements described under III) a) viii).
- c) The Company shall ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a Mark-to-Market basis. When the cash is recallable at any time on a Mark-to-Market basis, the Mark-to-Market value of the reverse repurchase agreement shall be used for the calculation of the Net Asset Value per Share of the relevant Fund.
- F) Units or shares of any other short-term Money Market Fund ("targeted MMF") provided that all of the following conditions are fulfilled:
- a) no more than 10% of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of targeted MMFs;
  - b) the targeted MMF does not hold units or shares of the acquiring Fund;
  - c) the targeted MMF is authorised under the MMFR.
- G) Financial derivative instruments provided that they are dealt in on a stock exchange or a Regulated Market or OTC provided that all of the following conditions are fulfilled:
- (i) the underlying of the financial derivative instrument consist of interest rates, foreign exchange rates, currencies or indices representing one of those categories;
  - (ii) the financial derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the Fund;
  - (iii) the counterparties to OTC derivative transactions are institutions subject and belonging to the categories approved by the CSSF;
  - (iv) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative.
- II) The Fund may hold ancillary liquid assets.
- III) a)
  - (i) The Company will invest no more than 5% of the assets of any Fund in Money Market Instruments, securitisations and ABCPs issued by the same body.
  - (ii) The Company may not invest more than 10% of the assets of such Fund in deposits made with the same credit institution, unless the structure of the Luxembourg banking sector is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the Fund to make deposits in another EU Member State, in which case up to 15% of its assets may be deposited with the same credit institution.
  - (iii) By way of derogation from III) a) i) first paragraph above, a Fund may invest up to 10% of its assets in Money Market Instruments, securitisations and ABCPs issued by the same body provided that the total value of such Money Market Instruments, securitisations and ABCPs held by the relevant Fund in each issuing body in which it invests more than 5% of its assets does not exceed 40% of the value of its assets.  
The aggregate of all of a Fund's exposures to securitisations and ABCPs shall not exceed 20% of its assets, whereby up to 15% of that Fund's assets may be invested in securitisations and ABCPs that do not comply with the criteria for the identification of STS securitisations and ABCPs.
  - (iv) The aggregate risk exposure to the same counterparty of a Fund stemming from OTC derivative transactions which fulfil the conditions set out in I) G) above shall not exceed 5% of the assets of the relevant Fund.
  - (v) The aggregate amount of cash provided to the same counterparty of the Company acting on behalf of a Fund in reverse repurchase agreements shall not exceed 15% of the assets of that Fund.
  - (vi) Notwithstanding the individual limits laid down in paragraph III) a) i), ii) and iii), the Company shall not combine, for each Fund, any of the following:
    - i) investments in Money Market Instruments, securitisations and ABCPs issued by, and/or
    - ii) deposits made with, and/or OTC financial derivative instruments giving counterparty risk exposure to a single body in excess of 15% of that Fund's assets.
  - (vii) The limit of 15% laid down in III) a) vi) above would be increased to a maximum of 20% in Money Market Instruments, deposits and OTC financial derivative instruments of that single body to the extent the structure of the Luxembourg financial market would be such that there are insufficient viable

financial institutions to meet that diversification requirement and it is not economically feasible for the Company to use financial institutions in other EU Member States.

**(viii) Notwithstanding the provisions outlined in III) a) i), the Company is authorised to invest up to 100% of the assets of any Fund, in accordance with the principle of risk spreading, in Money Market Instruments issued or guaranteed separately or jointly by the EU, the national, regional and local administrations of the EU Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a Third Country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more EU Member States belong, provided that such Fund must hold Money Market Instruments from at least six different issues by the issuer and Money Market Instruments from the same issue to a maximum of 30% of the assets of such Fund.**

(ix) The limit laid down in the first paragraph of III) a) i) may be of a maximum of 10% for certain bonds when they are issued by a single credit institution which has its registered office in an EU Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in accordance with the law, in assets which, during the whole period of validity of the bonds, are capable of covering claims attached to the bonds and which, in case of failure of the issuer, would be used on a priority basis for the repayment of the principal and payment of accrued interest.

If a Fund invests more than 5% of its assets in the bonds referred to in the above paragraph and issued by a single issuer, the total value of such investments may not exceed 40% of the value of the assets of the Fund.

(x) Notwithstanding the individual limits laid down in III) a) i) the Fund may invest no more than 20% of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in III) a) ix) above.

Where a Fund invests more than 5% of its assets in the bonds referred to in the above paragraph issued by a single issuer, the total value of those investments shall not exceed 60% of the value of the assets of the relevant Fund, including any possible investment in assets referred to in III) a) ix) above, respecting the limits set out therein.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 2013/34/EU or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in section III) a).

- IV) a) The Company may not acquire on behalf of any Fund more than 10% of Money Market Instruments, securitisations and ABCPs issued by a single body.
- b) Paragraph a) above is waived as regards Money Market Instruments issued or guaranteed by the EU, national, regional and local administrations of the EU Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a Third Country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more EU Member States belong.
- V) a) A Fund may acquire units or shares of targeted MMFs as defined under paragraph I) F) provided that, in principle, no more than 10% in total of a Fund's assets be invested in units or shares of targeted MMFs. A specific Fund may be allowed to invest more than 10% of its assets in units of other targeted MMFs in which case it will be explicitly mentioned in its investment policy.
- b) A Fund may acquire units or shares of another targeted MMF provided that it represents no more than 5% of a Fund's assets.
- c) Any Fund which is allowed to derogate from the first paragraph of item V) a) above may not invest in aggregate more than 17.5% of its assets in units or shares of other targeted MMFs.
- d) By derogation to b) and c) above, any Fund may either be a feeder Money Market Fund investing at least 85% of its assets in one other single targeted MMF UCITS in accordance with Article 58 of the Directive or invest up to 20% of its assets in other targeted MMFs with a maximum of 30% in aggregate of its assets in targeted MMFs which are not UCITS in accordance with Article 55 of the Directive, provided that the following conditions are met:
- a. the relevant Fund is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
  - b. the employee savings scheme referred to above only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.
- e) Where the targeted MMF is managed, whether directly or under a delegation, by the Management Company or by any other company to which the Management Company is linked by common management or control, or by a substantial direct or indirect holding, the Management Company or that other company, is prohibited from charging subscription or redemption fees.
- In respect of a Fund's investments of more than 10% of its assets in the targeted MMF linked to the Company as described in the preceding paragraph, a management fee (excluding any performance fee, if any) amounting to a maximum of 2% may be charged to that portion of the assets of the relevant Fund. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the targeted MMF in which such Fund has invested during the relevant period.
- f) The underlying investments held by the targeted MMF in which a Fund invests do not have to be considered for the purpose of the investment restrictions set forth under III) a) above.
- g) Notwithstanding the foregoing, a Fund may subscribe, acquire and/or hold securities to be issued or issued by one or more Fund(s) qualifying as Money Market Funds without the Company being subject to the requirements

of the Law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition however that:

1. the targeted Money Market Fund does not, in turn, invest in the relevant Fund invested in this target Money Market Fund; and
2. no more than 10% of the assets that the target Money Market Funds whose acquisition is contemplated may be invested in units of other Money Market Funds; and
3. voting rights, if any, attaching to the shares of the target Money Market Fund are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
4. in any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Luxembourg Law.

VI) In addition the Company will not:

- a) invest in assets other than those referred to under I) above;
- b) short sale Money Market Instruments, securitisations, ABCPs and units or shares of other Money Market Funds;
- c) take direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;
- d) enter into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the Fund;
- e) borrow and lend cash.

Each Fund must ensure an adequate spread of investment risks by sufficient diversification.

VII) The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in which the Shares are marketed.

VIII) The Company need not comply with the investment limit percentages when exercising subscription rights attached to securities which form part of its assets.

If the percentage limitations set forth in the above restrictions are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

#### **Portfolio rules**

Short-Term Variable Money Market Funds shall also comply on an ongoing basis with all of the following requirements:

- a. its portfolio is to have at all times a Weighted Average Maturity of no more than 60 days;
- b. its portfolio is to have at all times a Weighted Average Life of no more than 120 days, subject to the provisions of the MMFR;
- c. at least 7.5% of its assets are to be comprised of daily maturing assets, reverse repurchase agreements (if any) which can be terminated by giving prior notice of one working day, or cash which can be withdrawn by giving prior notice of one working day;
- d. at least 15% of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements (if any) which can be terminated by giving prior notice of five working days, or cash which can be withdrawn by giving prior notice of five working days. For the purpose of the calculation referred to in the previous sentence, Money Market Instruments or units or shares of other Money Market Funds may be included within the weekly maturing assets to a limit of 7.5% provided they are able to be redeemed and settled within five working days.

If the abovementioned limits are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription or redemption rights, the Company shall adopt as a priority objective the correction of that situation, taking due account of the interest of its Shareholders.

#### **6. ADDITIONAL LOCAL RESTRICTIONS**

a) If and for so long as a Fund of the Company is authorised by the Financial Sector Conduct Authority in South Africa in terms of section 65 as foreign collective investment schemes in securities, the following shall apply:

(i) the Fund may borrow up to 10% of its Net Asset Value, but only on a temporary basis for the purpose of meeting sale requests, subject always to the borrowing limit in clause 2. e) above;

(ii) for Funds investing in equity or equity-related securities, 90% of such equity or equity-related securities of such Fund shall only be invested in stock exchanges having obtained full membership of the World Federation of Exchanges or stock exchanges to which the manager has applied (and which have satisfied the requirements of), amongst other things, the due diligence guidelines as determined by the registrar;

(iii) for Funds investing in debt instruments or other eligible instruments, 90% of such instruments held by such Fund must have a credit rating of "investment grade" by Standard & Poor's, Moody's or Fitch Ratings Limited; however, in respect of the following Funds, no investment into non-investment grade debt securities will be made:

- Franklin Biotechnology Discovery Fund;
- Franklin U.S. Government Fund;
- Franklin U.S. Opportunities Fund;
- Franklin Technology Fund;
- Templeton Emerging Markets Fund;
- Templeton Euroland Fund;
- Templeton Global Fund; and
- Templeton Global Smaller Companies Fund.

(iv) the Fund may hold units of other UCITS or UCIs, provided that such UCITS or UCIs have a risk profile which is not significantly riskier than the risk profile of other underlying securities which may be held by the Fund;

(v) derivative instruments will be used within the limits stated above. No gearing, leveraging and/or margining shall be permitted. Derivative instruments will not be used to leverage the Fund's portfolio and will be covered at all times. No uncovered positions shall be permitted;

(vi) the Fund shall not invest in a fund of funds or a feeder fund;

(vii) insofar the 10% limit set forth in paragraph 1. f) (i) is not applicable to a specific Fund, no more than 20% of such Fund's net assets may be invested in the units of a single UCITS or other UCI referred to in paragraph 1. a) (v);

(viii) no scrip borrowing shall be permitted; and

(ix) the Fund can enter into securities lending arrangements provided that such arrangements do not exceed 50% of the total market value of its portfolio.

If and for so long as a Fund of the Company is authorised by the Financial Sector Conduct Authority in South Africa as foreign collective investment schemes in hedge funds in terms of section 65, the above listed restrictions should not apply.

b) If and for so long as the Company is authorised by the Securities and Futures Bureau in Taiwan and in respect of any Fund registered with it, the following shall apply:

(i) the aggregate commitments arising from the derivative instruments may not (except with the approval of the Securities and Futures Bureau), at any time, exceed 40% of the relevant Fund's net assets and 100% for hedging purpose.

(ii) the total amount of a Fund invested in the securities traded in the securities market in Mainland China, including bonds circulated on the China Interbank Bond Market (CIBM), will not exceed twenty percent (20%) of the then most current Net Asset Value of the Fund, unless otherwise determined by relevant regulator.

(iii) the total amount of a Fund invested in Taiwan securities shall not exceed fifty percent (50%) of the Net Asset Value of the Fund, or such other percentage as the Taiwan regulator may decide.

c) If and for so long as a Fund of the Company is authorised by the Capital Market Board in Turkey, the following shall apply:

(i) At least 80% of the Fund's portfolio should be invested in assets other than the capital market instruments issued by the issuers resident in Turkey and in Turkish public debt instruments; and

(ii) The Fund's should not have more than 9% of the voting rights or of capital in any corporation.

d) If and for so long as the Company is authorised by the Securities and Futures Commission of Hong Kong (the SFC) and in respect of any Fund authorised by it, it shall be subject to the guidelines of the SFC in respect of, among others:

- investment of more than 10% of a Fund's net assets in aggregate in China A-shares and China B-Shares;
- investment of more than 10% of a Fund's net assets in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade;
- net derivative exposure; and
- any securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

e) If and for so long as the Franklin NextStep Balanced Growth Fund, Franklin NextStep Dynamic Growth Fund and the Franklin NextStep Stable Growth Fund are authorised by the SFC, they shall be subject to the guidelines of the SFC in respect of, among others:

- investment of more than 10% of their net assets in aggregate in Underlying Funds that are not domiciled in Ireland, Luxembourg or the United Kingdom and are not authorised by the SFC;
- investment of more than 10% of their net assets in non-UCITS UCIs; and
- net derivative exposure.

f) If and for so long as the following Funds accepts investment by The Central Provident Fund (CPF), the CPF Investment Guidelines issued by the Central Provident Fund Board of Singapore, which guidelines may be amended from time to time, shall be applicable to them:

- 1) Franklin Biotechnology Discovery Fund
- 2) Franklin India Fund
- 3) Franklin U.S. Opportunities Fund
- 4) Templeton Asian Growth Fund
- 5) Templeton China Fund
- 6) Templeton Emerging Markets Fund
- 7) Templeton Global Balanced Fund

g) If and for so long as the following Funds accepts investment by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings (*Versicherungsaufsichtsgesetz - VAG*), the Funds will not invest in (i) debt securities that are rated below B minus by Standard & Poor's Corporation and/or Fitch Ratings Limited, or below B3 by Moody's Investors Service, Inc. (if at any time the Fund's assets are no longer compliant with this rating requirements due to downgrade, they shall be sold, at the best interest of the Investors, within 6 months' time), however, should the downgraded securities represent less than 3% of the value of the total assets, they may be tolerated by the Investment Manager provided that the interests of Investors are not impaired (if unrated, securities must be declared to be of comparable quality by the Investment Manager), (ii) asset-backed securities rated below investment grade:

- 1) Franklin Emerging Markets Debt Opportunities Hard Currency Fund

- 2) Franklin Euro Government Bond Fund
  - 3) Franklin Euro Short Duration Bond Fund
  - 4) Franklin Global Aggregate Bond Fund
- h) To ensure eligibility for the partial tax exemption for equity funds for Investors resident in Germany, the following Funds will invest more than 50% of their assets in equity securities as defined in Section 2 para. 8 of the German Investment Tax Act:
- 1) Franklin Biotechnology Discovery Fund
  - 2) Franklin Global Fundamental Strategies Fund
  - 3) Franklin Gold and Precious Metals Fund
  - 4) Franklin India Fund
  - 5) Franklin Innovation Fund
  - 6) Franklin Japan Fund
  - 7) Franklin MENA Fund
  - 8) Franklin Mutual European Fund
  - 9) Franklin Mutual Global Discovery Fund
  - 10) Franklin Mutual U.S. Value Fund
  - 11) Franklin Natural Resources Fund
  - 12) Franklin Technology Fund
  - 13) Franklin UK Equity Income Fund
  - 14) Franklin U.S. Opportunities Fund
  - 15) Franklin World Perspectives Fund (to be renamed Franklin Global Growth Fund effective as from September 13, 2021)
  - 16) Templeton Asia Equity Total Return Fund
  - 17) Templeton Asian Growth Fund
  - 18) Templeton Asian Smaller Companies Fund
  - 19) Templeton BRIC Fund
  - 20) Templeton China A-Shares Fund
  - 21) Templeton China Fund
  - 22) Templeton Eastern Europe Fund
  - 23) Templeton Emerging Markets Fund
  - 24) Templeton Emerging Markets Smaller Companies Fund
  - 25) Templeton Emerging Markets Sustainability Fund
  - 26) Templeton Euroland Fund
  - 27) Templeton European Dividend Fund
  - 28) Templeton European Opportunities Fund
  - 29) Templeton European Small-Mid Cap Fund
  - 30) Templeton Frontier Markets Fund
  - 31) Templeton Global Climate Change Fund
  - 32) Templeton Global Equity Income Fund
  - 33) Templeton Global Fund
  - 34) Templeton Global Smaller Companies Fund
  - 35) Templeton Growth (Euro) Fund
  - 36) Templeton Latin America Fund

In case that the Funds invest into other investment funds, those investment funds may be considered as equity securities in the sense of the German Investment Tax Act to the extent of the equity ratio published by these funds on each valuation day or, alternatively, to the extent of the minimum equity ratio as per the funds' investment policy.

- i) To ensure eligibility for the partial tax exemption for balanced funds and/or multi-asset funds for Investors resident in Germany, the following Funds will invest at least 25% of their assets in equity securities as defined in Section 2 para. 8 of the German Investment Tax Act:
- 1) Franklin Diversified Balanced Fund
  - 2) Franklin Diversified Dynamic Fund
  - 3) Templeton Emerging Markets Dynamic Income Fund
  - 4) Templeton Global Balanced Fund
  - 5) Templeton Global Income Fund

In case that the Funds invest into other investment funds, those investment funds may be considered as equity securities in the sense of the German Investment Tax Act to the extent of the equity ratio published by these funds on each valuation day or, alternatively, to the extent of the minimum equity ratio as per the funds' investment policy.

- j) If and for so long as the Templeton Global Balanced Fund accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders, the Templeton Global Balanced Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation.
- k) If and for so long as the Franklin Biotechnology Discovery Fund accepts investment by Malaysian retail feeder funds authorized by the Malaysian Securities Commission, the Franklin Biotechnology Discovery Fund will observe and comply with the requirements of the Guidelines on Unit Trust Funds, as stated below:
- All investments of the Franklin Biotechnology Discovery Fund are limited to markets or country of issuance where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions (IOSCO).
  - The credit rating for the counterparty of OTC derivatives will be at least investment grade. In the event the rating of the counterparty falls below the minimum required, or the counterparty ceases to be rated, the investment manager should, within 6 months or sooner, takes the necessary action to ensure that the requirements are complied with.



- Where the Franklin Biotechnology Discovery Fund invests in units of UCITS and/or other UCIs linked to the Company by common management or control, there will be no cross-holding between the Franklin Biotechnology Discovery Fund and the other UCITS and/or other UCIs;
  - The Franklin Biotechnology Discovery Fund will only undertake securities lending (including sale and repurchase and reverse repurchase) activities for the purpose of efficient portfolio management.
  - The Franklin Biotechnology Discovery Fund's investments in other UCITS and/or other UCIs will generally comply with the above investment limits.
- l) To ensure eligibility for the partial tax exemption foreseen in Article 150-0 D, 1<sup>er</sup> of the French General Tax Code, as it results from the implementation of the French Finance Law for 2014, for Investors resident in France, the following Funds will invest at least 75% of their net assets in equity securities:
- 1) Franklin U.S. Opportunities Fund
  - 2) Templeton European Opportunities Fund
  - 3) Templeton European Small-Mid Cap Fund
- m) If and for so long as the Company is authorised by the Monetary Authority of Singapore (MAS) in Singapore and in respect of any Fund registered with it, investments in non-UCITS UCIs shall not exceed 10% of a Fund's total net assets.
- n) If and for so long as the Franklin Innovation Fund accepts investment by Brazilian feeder funds, the Franklin Innovation Fund shall maintain at least 67% of its net assets invested in equity and/or equity-related securities.

### **RISK MANAGEMENT**

The Management Company employs a risk-management process, which enables it to monitor and measure at any time the risk of the positions of the Company and their contribution to the overall risk profile of each Fund's portfolio. The Management Company and the Investment Managers employ a process for accurate and independent assessment of the value of OTC derivative instruments.

Upon request of an investor, the Management Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

### **INTERNAL CREDIT QUALITY ASSESSMENT PROCEDURE**

The Management Company has established, implemented and consistently applied a customised internal credit quality assessment procedure based on prudent, systematic and continuous assessment methodologies for systematically determining the credit quality of any of the Funds that qualify as money market funds in accordance with the Money Market Fund Regulation and relevant delegated acts supplementing the Money Market Fund Regulation.

An effective process has been established by the Management Company to ensure that relevant information on the issuer and instrument's characteristics are obtained and kept up-to-date.

Determination of credit risk of an issuer or guarantor is made based on an independent analysis of the issuer's or guarantor's ability to repay its debt obligations, which is performed on an ongoing basis by credit research analysts within the Money Market Research Team who may also rely upon the credit research of the wider Investment Grade Bond Research Team under the responsibility of the Management Company and who shall report to the Management Company, on a regular basis which shall be no less than annually. Portfolio management is not involved with this research, to ensure its independence. This determination includes the following elements, where applicable:

- a) Financial condition and analysis of recent financial statements;
- b) Ability to react to future market-wide and issuer- or guarantor-specific events, including the ability to repay in a highly adverse situation;
- c) Strength of the issuer or guarantor's industry within the economy and relative to economic trends and competitive position;
- d) Assessment of the issuer's liquidity profile including sources of liquidity, consideration of bank lines of credit and alternative sources of liquidity as well as an issuer's ability to repay short-term debt;
- e) For sovereign-related issuers, the strength of fiscal policy (government receipts vs. spending needs), monetary policy (the supply of money and the level and trend in interest rates), balance of payments (the strength of the country's capital account, current account and trade balance), and the size of international reserves with its resulting impact on the prospects for the currency;

In order to quantify the credit risk of an issuer or guarantor and the relative risk of default of an issuer or guarantor and of an instrument, the following quantitative criteria will be used in the credit quality assessment methodology:

- a) Trends related to cash flow, revenues, expenses, profitability, short-term and long-term debt service, including a comparison of the ratio of cash from operations to short-term debt and profitability ratios compared to industry averages;
- b) Total debt to capitalization ratio and short-term debt to capitalization ratio as compared to such ratios for similar credits;
- c) Ratio of current assets to current liabilities as compared to similar credits;
- d) For bank and finance company credits, a comparison relative to other international banks and finance companies with respect to: i) the percentage of funding from short-term debt vs. long-term debt, ii) the ratio of high-risk load to equity and reserves, and iii) loan loss reserves as a percentage of non-performing assets.
- e) For brokerage and counterparty credits, a comparison relative to other international brokers with respect to: i) the ratio of short-term debt to total funding, ii) the ratio of short-term debt to equity, iii) the ratio of total assets to equity, and iv) the ratio of liquid assets and credit lines to short-term debt;
- f) For sovereign-related credits, a comparison of indicators related to fiscal policy (budget balance as a percentage of gross domestic product ("GDP")), monetary policy (growth of the money supply and the level and trend in interest rates, the level and maturity profile of outstanding debt (including the percentage outstanding debt represents of GDP), the balance of payments (current account and trade balance as a percentage of GDP), and the level of international reserves.

Specific criteria for the qualitative assessment of the issuer or guarantor and of an instrument as designed by the Management Company shall include:

- a) The asset class or type of the instrument or security, including any operational or counterparty risk inherent within the structure of such instrument or security.
- b) Credit assessment of the issuer or guarantor of the instrument or security, including: i) macro-economic factors which might affect the issuer's or guarantor's current and future credit quality, ii) asset protection, iii) the quality of the issuer's or guarantor's account practices and management, iv) the effect of any significant ownership positions, v) the degree of financial flexibility of the issuer or guarantor to cope with unexpected challenges and to take advantage of opportunities as well as an assessment of the degree and nature of event risks, vi) the likelihood of a sudden change of credit quality from external or internal sources, including the relative risk of default, vii) for government-backed securities, whether the security is backed by the full faith and credit of the government authority or only by the credit of the agency or instrumentality issuing the security, and whether there is socio-political risk, regulatory risk, tax withholding risk, or the risk of nationalization of assets or exchange controls, and viii) for local government securities, sources of repayment, issuer demographics, the issuer's autonomy in raising taxes and revenue, the issuer's reliance on outside revenue sources, and the strength and stability of the supporting economy.
- c) The existence and depth of the secondary market for the instrument or security, as well as the period remaining until the principal amount can be recovered through demand (i.e. at maturity).
- d) External credit ratings:
  - i. The Funds qualifying as money market funds within the meaning of the Money Market Fund Regulation will seek to hold only securities rated A-1 or higher by S&P, P-1 by Moody's or a similar rating by any other internationally recognised statistical rating organization.
  - ii. If not given a short-term rating, the credit quality must be deemed equivalent to such ratings by the Management Company.
  - iii. There shall be no mechanistic over-reliance on external ratings.

The credit quality assessment methodology's qualitative and quantitative inputs shall be of a reliable nature and well-documented. The final result of the credit quality assessment methodology will be an approved list of credits (the "Approved List") available for use by the money market funds. As and when a credit is removed from the Approved List due to an unfavorable assessment of the credit, positions related to the credit will be reduced or disposed of as appropriate and as soon as practicable, given prevailing market conditions at the time. The credit quality assessment methodologies and the Approved List are reviewed at least on an annual basis by the Management Company and more often if necessary. In case there is a material change, within the meaning of the Money Market Fund Regulation, that could have an impact on the existing assessment of an instrument or that could have an impact on the credit quality methodologies, a new credit quality assessment will be performed and/or credit quality methodologies will be updated.

## APPENDIX C

### ADDITIONAL INFORMATION

1. The Company is an investment company with limited liability organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and is qualified as a *société d'investissement à capital variable*. The Company was incorporated in Luxembourg on 6 November 1990, for an undetermined period. The Articles were published in the Mémorial on 2 January 1991. Amendments to the Articles were published in the Mémorial on 25 October 1994, 4 November 1996, 22 May 2000, 16 June 2004 and 25 March 2005. The Company is registered with the *Registre de Commerce et des Sociétés de et à Luxembourg*, under number B 35 177. Copies of the Articles as amended are available for inspection at the *Registre de Commerce et des Sociétés de et à Luxembourg* and the registered office of the Company and the Management Company.

2. The minimum capital of the Company is 1,250,000 euro or the equivalent in US dollars.

3. The Company may be dissolved upon decision of an extraordinary general meeting of its Shareholders. If the capital of the Company falls below two-thirds of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed and which shall be decided by a simple majority of the holders of Shares represented at the meeting. If the capital of the Company falls below one-fourth of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed; dissolution may be resolved by Shareholders holding one-fourth of the Shares at the meeting. If the Company should be liquidated, its liquidation will be carried out in accordance with the provisions of the laws of the Grand Duchy of Luxembourg which specify the steps to be taken to enable Shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the *Caisse de Consignation* of any such amounts which have not been promptly claimed by any Shareholders. Amounts not claimed from escrow within the prescribed period would be liable to be forfeited in accordance with the provisions of the laws of the Grand Duchy of Luxembourg. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation*" and as a consequence, the initial amount might not be refunded.

4. The Board of Directors may decide to liquidate a Fund if the net assets of such Fund fall below USD 50 million or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned. The decision of the liquidation will be published or notified, if appropriate, by the Company prior to the liquidation and the publication and/or notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Fund concerned may continue to request sale or switch of their Shares. Assets which could not be distributed to their beneficiaries upon the close of the liquidation period of the Fund will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation*" and as a consequence, the initial amount might not be refunded.

In all other circumstances or where the Board of Directors determines that the decision should be submitted for Shareholders' approval, the decision to liquidate a Fund may be taken at a meeting of Shareholders of the Fund to be liquidated. At such Fund meeting, no quorum shall be required and the decision to liquidate will be taken by simple majority of the votes cast.

Any merger of a Fund shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for a merger to a meeting of Shareholders of the Fund concerned. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

In case of a merger of one or more Funds where, as a result, the Company ceases to exist, the merger shall be decided by a meeting of Shareholders for which no quorum is required and that may decide with a simple majority of the votes cast. In addition, the provisions on mergers of UCITS set forth in the Law of 17 December 2010 and any implementing regulation (relating in particular to the notification of the shareholders) shall apply.

The Board of Directors may also, under the circumstances provided above in the first paragraph of point 4., decide the reorganisation of any Fund by means of a division into two or more separate Funds. To the extent required by Luxembourg law, such decision will be published or notified, if appropriate and, in addition, the publication or notification will contain information in relation to the Funds resulting from the reorganisation.

The preceding paragraph also applies to a division of Shares of any Share Class.

In the circumstances provided above in the first paragraph, the Board of Directors may also, subject to regulatory approval (if required), decide to consolidate or split any Share Classes within a Fund. To the extent required by Luxembourg law, such decision will be published or notified and the publication and/or notification will contain information in relation to the proposed split or consolidation. The Board of Directors may also decide to submit the question of the consolidation or split of Share Class to a meeting of holders of such Share Class. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

5. As a matter of policy, the Management Company aims to exercise the voting rights that may be associated with the Company's various investments in transferable securities. To this extent, the Management Company has delegated the authority to vote proxies related to the portfolio securities held by the Company to the relevant Fund's Investment Manager(s) and Sub-Investment Manager(s) who may be Franklin Templeton entities or not. Proxy voting records are available free of charge and upon request at the registered office of the Company and the Management Company.

## APPENDIX D

### DETERMINATION OF THE NET ASSET VALUE OF SHARES

#### CALCULATION OF THE NET ASSET VALUE

The Net Asset Value per Share ("NAV") of each Share Class of each Fund shall be expressed in the currency of the relevant Fund or of the relevant Class as a per Share figure, and shall be determined in respect of any Valuation Day by dividing the net assets of the Company corresponding to each Share Class of each Fund, being the value of the assets of the Company corresponding to such Fund less liabilities attributable to such Fund, by the number of Shares then outstanding and shall be rounded up or down to two decimal places as the Board of Directors may decide.

#### VALUATION

The assets of the Company shall be deemed to include:

- (a) all cash on hand or on deposit, including any interest accrued thereon;
- (b) all bills and demand notes and accounts receivable (including proceeds of securities sold but not delivered);
- (c) all bonds, time notes, shares, stock, debenture stocks, subscription rights, warrants, options and other derivative instruments, units or shares of undertakings for collective investment and other investments and securities owned or contracted for by the Company;
- (d) all stock, dividends, cash dividends and cash distributions receivable by the Company and to the extent known by the Company (provided that the Company may make adjustments with regard to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);
- (e) all interest accrued on any interest-bearing securities owned by the Company, except to the extent that the same is included or reflected in the principal amount of such security;
- (f) the formation expenses of the Company in so far as the same have not been written off; and
- (g) all other assets of every kind and nature, including prepaid expenses.

Total liabilities include:

- (a) all loans, bills and accounts payable;
- (b) all accrued or payable administrative expenses (including Management Company fees, investment management and/or advisory fees, depositary fees, and corporate agents' fees);
- (c) all known liabilities, present and future, including all matured contractual obligations for payments of money or property, including the amount of any unpaid dividends declared by the Company where the Valuation Day falls on the record date for determination of the person entitled thereto or is subsequent thereto;
- (d) an appropriate provision for future taxes based on capital and income to the Valuation Day, as determined from time to time by the Company, and other provisions, if any, authorised and approved by the Board of Directors covering among other, liquidation expenses; and
- (e) all other liabilities of the Company of whatsoever kind and nature except liabilities represented by Shares in the Company. In determining the amount of such liabilities the Company shall take into account all relevant expenses payable by the Company comprising formation expenses, fees and expenses at the accounts, fees payable to the Management Company for the performance of its various services and for those rendered by the Investment Managers and/or investment advisers, the Depositary and local Paying Agents and permanent representatives in places of registration, any other agent employed by the Company, fees for legal and auditing services, insurance premiums, printing, reporting and publishing expenses, including the cost of advertising and/or preparing and printing of the prospectuses, KIIDs, explanatory memoranda or registration statements, investment research fees, taxes or governmental or supervisory charges, all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage commissions, postage, telephone, telex, telefax message and facsimile (or other similar means of communication). The Company and/or the Administrative Agent, as appropriate, may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

In valuing assets, the following rules will apply, unless otherwise provided for in the below section "Specific provisions relating to the calculation of the Net Asset Value per Share of Funds qualifying as Money Market Funds" applicable to Money Market Funds.

Foreign exchange hedging may be utilised for the benefit of Hedged Share Classes. As such, cost and related liabilities and/or benefits of such hedging activities shall be for the account of that class only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share for shares of any such Hedged Share Class. The currency exposures of the assets of the relevant Fund will not be allocated to separate classes. Foreign exchange hedging shall not be used for speculative purposes. The periodic reports of the Company will indicate how hedging transactions have been utilised.

In determining the NAV of the Company, the Management Company and/or the Administrative Agent, values cash and receivables at their realisable amounts and records interests as accrued and dividends on the ex-dividend date. The Management Company and/or the Administrative Agent generally utilises two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities quoted or dealt on a stock exchange, the Management Company and/or the Administrative Agent will value those securities at their latest available price on said stock exchange (last quoted sale price or official closing

price of the day, respectively), or if there is no reported sale, within the range of the most recent bid and ask prices. Securities dealt on an organised market will be valued in a manner as near as possible to that for quoted securities.

The Management Company and/or the Administrative Agent values over-the-counter portfolio securities acquired by a specific fund in accordance with the investment restrictions set forth in Appendix B above, within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Management Company and/or the Administrative Agent values them according to the broadest and most representative market as determined by the Board of Directors.

Generally, trading in corporate bonds, government securities or Money Market Instruments is substantially completed each day at various times before the close of the New York Stock Exchange. The value of these securities used in computing the NAV is determined as of such times. Occasionally, events affecting the values of these securities may occur between the times at which they are determined and the close of the New York Stock Exchange that will not be reflected in the computation of the NAV. The Management Company and/or the Administrative Agent relies on third party pricing vendors to monitor for events materially affecting the value of these securities during this period. If an event occurs the third party vendors will provide revised values to the Management Company and/or the Administrative Agent.

The value of securities not quoted or dealt on a stock exchange or an organised market and of securities which are so quoted or dealt in, but in respect of which no price quotation is available or the price quoted is not representative of the securities' fair market value shall be determined by or under the direction of the Board of Directors. Short-dated debt transferable securities and money market instruments not traded on a regulated exchange are usually valued on an amortised cost basis.

Since the Company may, in accordance with the investment restrictions set forth in Appendix B above, invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The Management Company and/or the Administrative Agent has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Company could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Management Company and/or the Administrative Agent determines the Company's NAV per share.

Trading in securities on foreign securities stock exchanges and over-the-counter markets, such as those in Europe and Asia, may be normally completed well before the New York Stock Exchange closing time on each day that the New York Stock Exchange is open. Trading in European or Far Eastern securities generally, or in a particular country or countries, may not take place on every Valuation Day. Furthermore, trading may take place in various foreign markets on days that are not Valuation Days and on which the Fund's Net Asset Value is not calculated. Thus, the calculation of the Shares' Net Asset Value does not take place contemporaneously with the determination of the prices of many of the portfolio securities used in the calculation and, if events materially affecting the values of these foreign securities occur, the securities will be valued at fair value as determined and approved in good faith by or under the direction of the Management Company.

#### **Specific provisions relating to the calculation of the Net Asset Value per Share of Funds qualifying as Money Market Funds**

By derogation to the above provisions, in valuing assets, the following valuation principles will apply for Funds qualifying as "Money Market Funds":

- (1) Assets will be valued at Mark-to-Market or Mark-to-Model where the use of Mark-to-Market is not possible or the market data is not of sufficient quality;
- (2) The value of any cash on hand or on deposit and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined conservatively by using Mark-to-Model;
- (3) Shares or units of Money Market Funds shall be valued at their last available net asset value as reported by such Money Market Funds;
- (4) Any assets or liabilities in currencies other than the Base Currency will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.

#### **SWING PRICING ADJUSTMENT**

A Fund may suffer reduction of the Net Asset Value per Share due to Investors purchasing, selling and/or switching in and out of the Fund at a price that does not reflect the dealing costs associated with this Fund's portfolio trades undertaken by the Investment Manager to accommodate cash inflows or outflows.

To counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy.

The Fund operates a swing pricing mechanism which is applied when the total capital activity (aggregate of inflows and outflows) at a Fund level exceeds a pre-determined threshold, as determined as a percentage of the net assets of that Fund for the Valuation Day. Funds can operate a full swing pricing mechanism where the threshold is set to zero or a partial swing pricing mechanism where the threshold is greater than zero.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class in a Fund identically. Swing pricing does not address the specific circumstances of each individual investor transaction.

The adjustments will seek to reflect the anticipated prices at which the Fund will be buying and selling assets as well as estimated transaction costs.

Investors are advised that the volatility of the Fund's Net Asset Value might not reflect the true portfolio performance as a consequence of the application of swing pricing.

The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and under normal conditions will not exceed 2% of the original Net Asset Value per Share. The Board of Directors can approve an increase of this limit in case of exceptional circumstances, unusually large Shareholders trading activities, and if it is deemed to be in the best interest of Shareholders.

The Management Company mandates authority to the Swing Pricing Oversight Committee to implement and on a periodic basis review, the operational decisions associated with swing pricing. This committee is responsible for decisions relating to swing pricing and the ongoing approval of swing factors which form the basis of pre-determined standing instructions.

The price adjustment is available on request from the Management Company at its registered office.

On certain share classes, the Management Company may be entitled to a performance fee, where applicable, this will be based on the unswung NAV.

Additional information on swing pricing can be found at: <https://www.franklintempleton.lu/investor/resources/investor-tools/swing-pricing>.

#### **SUSPENSION OF CALCULATION OF NET ASSET VALUE**

1. The Company may suspend the determination of the Net Asset Value of the Shares of any particular Fund and the purchase and sale of the Shares and the switch of Shares from and to such Fund during:
  - (a) any period when any of the principal stock exchanges or markets of which any substantial portion of the investments of the Company attributable to such Fund from time to time are quoted is closed, or during which dealings therein are restricted or suspended; or
  - (b) the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of assets owned by the Company attributable to such Fund would be impracticable; or
  - (c) any breakdown or restriction in the means of communication normally employed in determining the price or value of any of the investments of any particular Fund or the current price or values on any stock exchange or market; or
  - (d) any period when the Company is unable to repatriate funds for the purpose of making payments due on sale of such Shares or any period when the transfer of funds involved in the realisation or acquisition of investments or payments due on sale of such Shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange; or
  - (e) any period when the Net Asset Value of Shares of any Fund may not be determined accurately; or
  - (f) during any period when in the opinion of the Board of Directors there exists unusual circumstances where it would be impractical or unfair towards the Investors to continue dealing in the Shares of any Fund or circumstances where a failure to do so might result in the Investors or a Fund incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the Investors or a Fund might not otherwise have suffered; or
  - (g) if the Company or a Fund is being or may be wound-up, on or following the date on which such decision is taken by the Board of Directors or notice is given to Shareholders of a general meeting at which a resolution to wind-up the Company or a Fund is to be proposed; or
  - (h) in the case of a merger, if the Board of Directors deems this to be justified for the protection of the Shareholders; or
  - (i) in the case of a suspension of the calculation of the net asset value of one or several underlying investment funds in which a Fund has invested a substantial portion of assets.
2. Any such suspension shall be publicised by the Company and shall be notified to Shareholders requesting sale or switching of their Shares by the Company at the time of the filing of the irrevocable written request for such sale or switch.

#### **ALLOCATION OF ASSETS AND LIABILITIES**

The Board of Directors shall establish a pool of assets for the Shares of each Fund in the following manner:

1.
  - (a) the proceeds from the issue of Shares of each Class of each Fund shall be applied in the books of the Company to the pool of assets established for that Fund, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such pool;
  - (b) where any asset is derived from another asset, such derivative asset shall be applied in the books of the Company to the same pool as the assets from which it was derived and in each revaluation of an asset, the increase or diminution in value shall be applied to the relevant pool;
  - (c) where the Company incurs a liability which relates to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability shall be allocated to the relevant pool;

- (d) in the case where any asset or liability of the Company cannot be considered as being attributable to a particular pool, such asset or liability shall be equally divided between all the pools or, as in so far as justified by the amounts, shall be allocated to the pools pro rata to the net asset value of the relevant pool;
  - (e) upon the record date for determination of the person entitled to any dividend on the Shares of each Class of any Fund, the Net Asset Value of the Shares of such Fund shall be reduced by the amount of such dividend declared.
2. If there have been created within any Fund two or several Share Classes, the allocation rules set out above apply, *mutatis mutandis*, to such Classes.
  3. For the purpose of the calculation of the Net Asset Value, the valuation and the allocation as aforesaid, Shares of the Company to be redeemed shall be treated as existing and taken into account until immediately after the close of business on the Valuation Day, and from time to time, until the price therefor has been paid, shall be deemed to be a liability of the Company; all investments, cash balances and other assets of the Company expressed in currencies other than the currency of the relevant Fund shall be valued after taking into account the market rate or rates of exchange in force at the date and time for determination of the Net Asset Value of Shares; and effect shall be given on any Valuation Day to any purchases or sales of securities contracted for by the Company on such Valuation Day, to the extent practicable.

**APPENDIX E**

**FRANKLIN TEMPLETON INVESTMENT FUNDS  
CHARGES, FEES AND EXPENSES**

**1. ENTRY CHARGE AND CDSC**

**Entry Charge**

Share Class Overview	Classes: • A • AX	Class: • C • F • G	Class: • N	Classes: • S • EB • W** • Z**	Classes: • I • J • X • Y
<b>Investor Category</b>	Retail & Institutional	Retail & Institutional	Retail & Institutional	Retail & Institutional	Institutional
<b>For Equity Funds, Balanced Funds, Alternative Funds and Multi-Asset Funds</b>	Up to 5.75%*	See CDSC table below	Up to 3.00%	No	No
<b>For Fixed Income Funds</b>	Up to 5.00%	See CDSC table below	Up to 3.00%	No	No
<b>For Money Market Funds</b>	Up to 1.50%	See CDSC table below	Up to 3.00%	No	No

\* except for the Franklin Diversified Conservative Fund which has an entry charge of up to 5.00%.

\*\* Intermediaries or distributors selling Class W or Z Shares may apply their own selling charges, but which should not exceed 5.75%.

**CDSC**

The amount of the CDSC is calculated by multiplying the percentages indicated in the following chart by the Net Asset Value of the Shares when purchased, or their Net Asset Value when sold, whichever is applicable.

CDSC for Class A and Class AX Shares on qualified investments of USD 1 million or more		CDSC for Class B Shares		CDSC for Class C Shares		CDSC for Class F and G Share	
Period since purchase	Percentage	Period since purchase	Percentage	Period since purchase	Percentage	Period since purchase	Percentage
Less than 18 months	Up to 1%	Less than one year	4%	Less than 12 months	1%	Less than one year	3%
		Equal or more than 1 year but less than 2	3%			Equal or more than 1 year but less than 2	2%
Equal or more than 18 months	0%	Equal or more than 2 years but less than 3	2%	Equal or more than 12 months	0%	Equal or more than 2 years but less than 3	1%
		Equal or more than 3 years but less than 4	1%			Equal or more than 3 years	0%



		Equal or more than 4 years	0%							
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## 2. ANNUAL MANAGEMENT CHARGE (PER ANNUM)

As **Class X Shares** and **Class Y Shares** are, inter alia, designed to accommodate an alternative charging structure whereby the Investor is a client of Franklin Templeton and is charged an annual management charge directly by Franklin Templeton, no annual management charge will be payable in respect of Class X Shares and Class Y Shares out of the net assets of the relevant Fund.

The following annual management charge applies in respect of the Shares as indicated below:

Fund Name	Classes A, F	Class AS	Class AX	Class B	Class C	Class G	Class N	Class Z	Class I and W	Class S	Class J and EB
Franklin Biotechnology Discovery Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin China Multi-Asset Income Fund	1.00%	1.10%	1.20%	N/A	1.78%	0.80%	1.70%	0.70%	0.45%	up to 0.45%	up to 0.45%
Franklin Disruptive Commerce Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	up to 2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Diversified Balanced Fund	1.25%	1.25%	1.35%	N/A	1.93%	0.95%	up to 2.05%	0.85%	0.55%	up to 0.55%	up to 0.55%
Franklin Diversified Conservative Fund	1.10%	1.20%	1.30%	N/A	1.88%	0.90%	up to 2.00%	0.80%	0.50%	up to 0.50%	up to 0.50%
Franklin Diversified Dynamic Fund	1.40%	1.30%	1.40%	N/A	1.98%	1.00%	up to 2.15%	0.90%	0.60%	up to 0.60%	up to 0.60%
Franklin Emerging Market Corporate Debt Fund	1.40%	1.30%	1.40%	N/A	1.98%	1.00%	1.90%	0.90%	0.60%	up to 0.60%	up to 0.60%
Franklin Emerging Market Sovereign Debt Hard Currency Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.90%	0.40%	up to 0.40%	up to 0.40%
Franklin Emerging Markets Debt Opportunities Hard Currency Fund	1.40%	1.30%	1.40%	N/A	1.98%	1.00%	1.90%	0.90%	0.60%	up to 0.60%	up to 0.60%
Franklin Euro Government Bond Fund	0.55%	0.75%	0.85%	N/A	1.43%	0.45%	1.10%	0.35%	0.30%	up to 0.30%	up to 0.30%
Franklin Euro High Yield Fund	1.20%	1.20%	1.30%	1.55%	1.88%	0.90%	1.80%	0.80%	0.60%	up to 0.60%	up to 0.60%
Franklin Euro Short Duration Bond Fund	0.50%	0.70%	0.80%	N/A	1.38%	0.40%	1.05%	0.30%	0.25%	up to 0.25%	up to 0.25%
Franklin European Corporate Bond Fund	0.75%	0.85%	0.95%	N/A	1.53%	0.55%	1.45%	0.35%	0.40%	up to 0.40%	up to 0.40%
Franklin European Total Return Fund	0.70%	0.80%	0.90%	N/A	1.48%	0.50%	1.40%	0.40%	0.35%	up to 0.35%	up to 0.35%
Franklin Flexible Alpha Bond Fund	1.15%	1.15%	1.25%	N/A	1.83%	0.85%	1.75%	0.75%	0.35%	up to 0.35%	up to 0.35%
Franklin Flexible Conservative Fund	1.10%	1.20%	1.30%	N/A	1.88%	0.90%	up to 2.00%	0.80%	0.50%	up to 0.50%	up to 0.50%
Franklin Flexible Growth Fund	1.25%	1.25%	1.35%	N/A	1.93%	0.95%	up to 2.10%	0.85%	0.55%	up to 0.55%	up to 0.55%
Franklin Gulf Wealth Bond Fund	1.05%	1.15%	1.25%	1.50%	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Franklin Genomic Advancements Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	up to 2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Global Aggregate Bond Fund	0.95%	1.05%	1.15%	N/A	1.73%	0.75%	1.65%	0.65%	0.40%	up to 0.40%	up to 0.40%
Franklin Global Convertible Securities Fund	1.25%	1.15%	1.25%	N/A	1.83%	0.85%	2.00%	0.75%	0.60%	up to 0.60%	up to 0.60%
Franklin Global Corporate Investment Grade Bond Fund	0.95%	1.05%	1.15%	N/A	1.73%	0.75%	1.65%	0.65%	0.40%	up to 0.40%	up to 0.40%
Franklin Global Fundamental Strategies Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Global Income Fund	1.35%	1.25%	1.35%	N/A	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%

Franklin Global Managed Income Fund	1.35%	1.25%	1.35%	N/A	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%
Franklin Global Multi-Asset Income Fund	1.35%	1.25%	1.35%	N/A	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%
Franklin Global Real Estate Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Gold and Precious Metals Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin High Yield Fund	1.20%	1.20%	1.30%	1.55%	1.88%	0.90%	1.80%	0.80%	0.60%	up to 0.60%	up to 0.60%
Franklin Income Fund	1.35%	1.25%	1.35%	1.60%	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%
Franklin India Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Inflation Protected Fund	0.90%	1.00%	1.10%	N/A	1.68%	0.70%	N/A	0.60%	0.30%	up to 0.30%	up to 0.30%
Franklin Innovation Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	up to 2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Intelligent Machines Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	up to 2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Japan Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin K2 Alternative Strategies Fund	2.55%*	2.45%*	2.55%*	N/A	3.13%*	2.15%*	3.30%*	2.05%*	1.75%*	up to 1.70%	up to 1.75%
Franklin MENA Fund	2.00%	1.90%	2.00%	2.25%	2.58%	1.60%	2.50%	1.50%	1.05%	up to 1.05%	up to 1.05%
Franklin Mutual European Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Mutual Global Discovery Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Mutual U.S. Value Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin Natural Resources Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin NextStep Balanced Growth Fund	1.25%	1.25%	1.35%	N/A	1.93%	0.95%	2.05%	0.85%	N/A	N/A	N/A
Franklin NextStep Conservative Fund	1.10%	1.20%	1.30%	N/A	1.88%	0.90%	2.00%	0.80%	0.60%	N/A	N/A
Franklin NextStep Dynamic Growth Fund	1.35%	1.25%	1.35%	N/A	1.93%	0.95%	2.10%	0.85%	N/A	N/A	N/A
Franklin NextStep Growth Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	N/A	N/A
Franklin NextStep Moderate Fund	1.35%	1.35%	1.45%	N/A	2.03%	1.05%	2.15%	0.95%	0.65%	N/A	N/A
Franklin NextStep Stable Growth Fund	1.10%	1.20%	1.30%	N/A	1.88%	0.90%	2.00%	0.80%	N/A	N/A	N/A
Franklin Systematic Style Premia Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	up to 2.25%	1.00%	0.75%	up to 0.75%	up to 0.75%
Franklin Strategic Income Fund	1.25%	1.15%	1.25%	1.50%	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Franklin Technology Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Franklin UK Equity Income Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.45%	up to 0.45%	up to 0.45%
Franklin U.S. Dollar Short-Term Money Market Fund	0.40%	0.70%	0.80%	0.40%	1.38%	0.40%	1.30%	0.30%	0.20%	up to 0.20%	up to 0.20%
Franklin U.S. Government Fund	0.95%	1.05%	1.15%	1.15%	1.73%	0.75%	1.65%	0.65%	0.40%	up to 0.40%	up to 0.40%
Franklin U.S. Low Duration Fund	0.95%	1.05%	1.15%	1.15%	1.73%	0.75%	1.65%	0.65%	0.40%	up to 0.40%	up to 0.40%
Franklin U.S. Opportunities Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.60%	up to 0.70%
Franklin World Perspectives Fund (to be renamed Franklin Global Growth Fund effective as from September 13, 2021)	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%

Templeton All China Equity Fund	1.65%	1.55%	1.65%	N/A	2.23%	1.25%	2.15%	1.15%	1.00%	up to 1.00%	up to 1.00%
Templeton Asia Equity Total Return Fund	1.60%	1.50%	1.60%	N/A	2.18%	1.20%	2.10%	1.10%	0.80%	up to 0.80%	up to 0.80%
Templeton Asian Bond Fund	1.05%	1.15%	1.25%	1.50%	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Templeton Asian Growth Fund	1.85%	1.75%	1.85%	2.10%	2.43%	1.45%	2.35%	1.35%	0.90%	up to 0.90%	up to 0.90%
Templeton Asian Smaller Companies Fund	1.85%	1.75%	1.85%	2.10%	2.43%	1.45%	2.35%	1.35%	0.90%	up to 0.90%	up to 0.90%
Templeton BRIC Fund	2.10%	2.00%	2.10%	2.35%	2.68%	1.70%	2.60%	1.60%	1.10%	up to 1.10%	up to 1.10%
Templeton China A-Shares Fund	1.65%	1.55%	1.65%	N/A	2.23%	1.25%	1.15%	1.15%	1.00%	up to 1.00%	up to 1.00%
Templeton China Fund	2.10%	2.00%	2.10%	2.35%	2.68%	1.70%	2.60%	1.60%	1.10%	up to 1.10%	up to 1.10%
Templeton Eastern Europe Fund	2.10%	2.00%	2.10%	2.35%	2.68%	1.70%	2.60%	1.60%	1.10%	up to 1.10%	up to 1.10%
Templeton Emerging Markets Bond Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.00%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Emerging Markets Dynamic Income Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.00%	1.00%	0.75%	up to 0.75%	up to 0.75%
Templeton Emerging Markets Fund	1.65%	1.55%	1.65%	1.90%	2.23%	1.25%	2.15%	1.15%	1.00%	up to 1.00%	up to 1.00%
Templeton Emerging Markets Local Currency Bond Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.00%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Emerging Markets Smaller Companies Fund	2.10%	2.00%	2.10%	N/A	2.68%	1.70%	2.60%	1.60%	1.10%	up to 1.10%	up to 1.10%
Templeton Emerging Markets Sustainability Fund	1.55%	1.45%	1.55%	N/A	2.13%	1.15%	2.05%	1.05%	0.85%	up to 0.85%	up to 0.85%
Templeton Euroland Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton European Dividend Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton European Opportunities Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton European Small-Mid Cap Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Frontier Markets Fund	2.10%	2.00%	2.10%	N/A	2.68%	1.70%	2.60%	1.60%	1.10%	up to 1.10%	up to 1.10%
Templeton Global Balanced Fund	1.30%	1.20%	1.30%	1.55%	1.88%	0.90%	1.80%	0.80%	0.60%	up to 0.60%	up to 0.60%
Templeton Global Bond (Euro) Fund	1.05%	1.15%	1.25%	N/A	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Templeton Global Bond Fund	1.05%	1.15%	1.25%	1.50%	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Templeton Global Climate Change Fund	1.50%	1.40%	1.50%	N/A	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Global Equity Income Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Global Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Global High Yield Fund	1.35%	1.25%	1.35%	N/A	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%
Templeton Global Income Fund	1.35%	1.25%	1.35%	1.60%	1.93%	0.95%	1.85%	0.85%	0.60%	up to 0.60%	up to 0.60%
Templeton Global Smaller Companies Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Global Total Return Fund	1.05%	1.15%	1.25%	1.50%	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Templeton Global Total Return II Fund	1.05%	1.15%	1.25%	N/A	1.83%	0.85%	1.75%	0.75%	0.55%	up to 0.55%	up to 0.55%
Templeton Growth (Euro) Fund	1.50%	1.40%	1.50%	1.75%	2.08%	1.10%	2.25%	1.00%	0.70%	up to 0.70%	up to 0.70%
Templeton Latin America Fund	1.90%	1.80%	1.90%	2.15%	2.48%	1.50%	2.40%	1.40%	1.00%	up to 1.00%	up to 1.00%

\* The following annual management charge applies in respect of the PF Shares as indicated below:

Fund Name	Class A PF	Class I PF and W PF	Class S PF	Class W PF
Franklin K2 Alternative Strategies Fund	1.80%	1.20%	up to 1.20%	1.20%

### 3. SERVICING CHARGES

#### Class B Shares

A servicing charge of **1.06%** per annum is applicable to the average Net Asset Value of Class B Shares.

#### Class F and G Shares

A servicing charge of **1.00%** per annum is applicable to the average Net Asset Value of Class F and G Shares.

### 4. PERFORMANCE FEES

The following Performance Fees apply in respect of the PF Shares as indicated below:

Fund Name	Share Currency*	Performance Fee	Benchmark*
Franklin K2 Alternative Strategies Fund	EUR	15%	ICE LIBOR EUR 3 Month <sup>14</sup>
	CHF	15%	ICE LIBOR CHF 3 Month <sup>15</sup>
	USD	15%	ICE LIBOR USD 3 Month <sup>16</sup>
	GBP	15%	ICE LIBOR GBP 3 Month <sup>17</sup>
	JPY	15%	ICE LIBOR JPY 3 Month <sup>18</sup>

\* In relation to a Hedged Share Class, the applicable benchmark used for performance fee calculation purposes shall be the representative benchmark of the currency in which the Hedged Share Class is hedged into.

### 5. MANAGEMENT COMPANY AND DEPOSITARY FEES

Management Company fee: in addition to the annual management charge disclosed in item 2. of this Appendix E, the Management Company will receive, for performing registrar and transfer, corporate, domiciliary and administrative functions for the Company, up to 0.20% of the Net Asset Value of the relevant Share Class, an additional amount (consisting of a fixed and variable component) per Investor Holding at the relevant Class level over each one (1) year period, and a fixed amount per year to cover part of its organisational expenses, as further described in section "Management Company Remuneration".

Depositary fee: from 0.01% to 0.14% of the Net Asset Values of the assets of the different Funds, with possible higher depositary annual fees for certain Funds, as further described in section "Other Company Charges and Expenses".

<sup>14</sup> As from November 1, 2021, the ICE LIBOR EUR 3 Month will be amended to the Euro Short-Term Rate (ESTR)

<sup>15</sup> As from November 1, 2021, the ICE LIBOR CHF 3 Month will be amended to the Swiss Average Rate Overnight (SARON)

<sup>16</sup> As from November 1, 2021, the ICE LIBOR USD 3 Month will be amended to the Secured Overnight Financing Rate (SOFR)

<sup>17</sup> As from November 1, 2021, the ICE LIBOR GBP 3 Month will be amended to the Sterling Overnight Index Average (SONIA)

<sup>18</sup> As from November 1, 2021, the ICE LIBOR JPY 3 Month will be amended to the Tokyo Overnight Average Rate (TONAR)

## APPENDIX F

### BENCHMARK DISCLOSURE

Shareholders should note that these benchmarks<sup>19</sup> may change over time and that the Prospectus will be updated accordingly. The current list of benchmarks applicable for the Funds is available on the Internet site: [www.franklintempleton.lu](http://www.franklintempleton.lu).

For Funds using the Value-at-Risk approach expressed in relative terms (relative VaR) to calculate their Global Exposure, the benchmarks are used as a basis for relative VaR calculation. These Funds are actively managed and are not obliged to hold any of the benchmark constituents and may invest up to 100% of their net assets outside the benchmarks.

- Franklin Diversified Balanced Fund

**Benchmark:** Euro Interbank Offered Rate (EURIBOR) 3-Month Index

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmark has been selected because the target return of the Fund is to exceed the return of the benchmark. Although the Investment Manager refers to the benchmark for performance measurement purposes, the Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Franklin Diversified Conservative Fund

**Benchmark:** Euro Interbank Offered Rate (EURIBOR) 3-Month Index

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmark has been selected because the target return of the Fund is to exceed the return of the benchmark. Although the Investment Manager refers to the benchmark for performance measurement purposes, the Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Franklin Diversified Dynamic Fund

**Benchmark:** Euro Interbank Offered Rate (EURIBOR) 3-Month Index

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmark has been selected because the target return of the Fund is to exceed the return of the benchmark. Although the Investment Manager refers to the benchmark for performance measurement purposes, the Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Franklin Emerging Market Sovereign Debt Hard Currency Fund

**Benchmark:** J.P. Morgan Emerging Market Bond Index Global Diversified Index

**Benchmark uses and resemblance:** The Fund is actively managed, and the Benchmark is used as a universe to select investments. Although the Investment Manager is constrained by the Benchmark in its portfolio positioning/composition, the Fund is not obliged to hold all of the Benchmark constituents and may invest up to 20% of its net assets outside the Benchmark. The Investment Manager has complete discretion to deviate from the Benchmark's weightings.

- Franklin Flexible Alpha Bond Fund

**Benchmark:** London Interbank Offered Rate (LIBOR) 90 Day (USD)<sup>20</sup>

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmark has been selected because the target return of the Fund is to exceed the return of the benchmark. Although the Investment Manager refers to the benchmark for performance measurement purposes, the Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Franklin Global Managed Income Fund

**Benchmarks:**

- MSCI All Country World Index (used for volatility measurement purposes)
- 50% MSCI ACWI High Dividend Yield (EUR) + 25% Bloomberg Barclays Global Aggregate (EUR hedged) + 25% ICE BofA Global Corporate & High Yield Index (EUR hedged) (used for performance comparison purposes)

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmarks are used solely for volatility measurement purposes and as a reference for Investors to compare against the Fund's performance. The Fund is not obliged to hold any of the benchmarks constituents and may indeed invest up to 100% of its net assets outside these benchmarks.

- Franklin Global Multi-Asset Income Fund

**Benchmarks:**

- MSCI All Country World Index (used for volatility measurement purposes)
- 50% Bloomberg Barclays Multiverse (Hedged in EUR) + 50% MSCI All Country World Index (used for performance comparison purposes)

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmarks are used solely for volatility measurement purposes and as a reference for Investors to compare against the Fund's performance. The Fund is not obliged to hold any of the benchmarks constituents and may indeed invest up to 100% of its net assets outside these benchmarks.

- Franklin Global Real Estate Fund:

**Benchmark:** FTSE EPRA/NAREIT Developed Index

**Benchmark uses and resemblance:** The Fund is actively managed. Although the Fund does not intend to track the performance of the benchmark, it is referenced for comparison purposes. Given the limited investment universe within the listed Real Estate sector, most of the Fund's assets are likely to be components of the Benchmark. While the Investment Manager is unconstrained in the active management of the Fund and has absolute discretion to invest in companies not included in the Benchmark, the Fund's performance may, from time to time, present close similarities with it.

<sup>19</sup> Further information on the benchmarks disclosed in the present Appendix (e.g. net return vs gross return calculation methodology) can be found in the KIIDs and marketing documents of the Company available on the website: <http://www.franklintempleton.lu>.

<sup>20</sup> As from October 1, 2021, the London Interbank Offered Rate (LIBOR) 90 Day (USD) will be replaced by the FTSE 3-Month US Treasury Bill Index.

- Franklin K2 Alternative Strategies Fund:

**Benchmarks:**

- ICE LIBOR 3 Month (used for performance fee calculation purposes)<sup>21</sup>
- HFRX Global Hedge Fund Index (used for performance comparison purposes)
- ICE BofA US 3-Month Treasury Bill Index (used for performance comparison purposes)

**Benchmark uses and resemblance:** The Fund is actively managed. These benchmarks are neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat. The Fund is not obliged to hold any of the benchmarks constituents and may indeed invest up to 100% of its net assets outside these benchmarks.

- Franklin UK Equity Income Fund

**Benchmark:** FTSE All-Share Index

**Benchmark uses and resemblance:** The Fund is actively managed. The benchmark has been selected because the objective of the Fund is to generate an income in excess of the benchmark. Though many of the Fund's equity securities are likely to be represented in the benchmark, the Investment Manager has broad discretion to deviate, even significantly, from its composition and weightings.

- Templeton Asian Smaller Companies Fund

**Benchmark:** MSCI AC Asia ex-Japan Small Cap Index

**Benchmark uses and resemblance:** The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Templeton Emerging Markets Smaller Companies Fund

**Benchmark:** MSCI Emerging Markets Small Cap Index (Index)

**Benchmark uses and resemblance:** The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

- Templeton Global Climate Change Fund

**Benchmarks:**

- MSCI All Country World Index (used for performance comparison purposes - neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat).
- MSCI ACWI Climate Change Index (used to measure the sustainable investment objective of the Fund)

**Benchmark uses and resemblance:** The Fund is actively managed. The Fund is not obliged to hold any of the benchmarks constituents and may significantly depart from the composition of these benchmarks.

- Templeton Global Smaller Companies Fund

**Benchmark:** MSCI All Country World Small Cap Index

**Benchmark uses and resemblance:** The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

With the exception of the Funds listed above, all benchmarks disclosed below are used solely as a reference for Investors to compare against the Funds' performance, and these benchmarks are neither used as a constraint on how the Funds' portfolio are to be constructed nor set as a target for the Funds' performance to beat. The Franklin Global Fundamental Strategies Fund is not managed in reference to a benchmark. All Funds are actively managed:

- Franklin Biotechnology Discovery Fund: NASDAQ Biotechnology Index
- Franklin China Multi-Asset Income Fund: 50% MSCI China and 50% Bloomberg Barclays Global Aggregate-China
- Franklin Disruptive Commerce Fund: Russell 3000 Index
- Franklin Emerging Market Corporate Debt Fund: ICE BofA Emerging Market Corporate Plus (USD Hedged) Index
- Franklin Emerging Markets Debt Opportunities Hard Currency Fund: JP Morgan EMBI Global Diversified B-/B3 and Higher Index
- Franklin Euro Government Bond Fund: Bloomberg Barclays Euro Government Bond Index.
- Franklin Euro High Yield Fund: ICE BofA Euro High Yield Constrained Index
- Franklin Euro Short Duration Bond Fund: Bloomberg Barclays Euro Aggregate (1-3Yr) Index.
- Franklin European Corporate Bond Fund: Bloomberg Barclays Euro-Aggregate: Corporates Index
- Franklin European Total Return Fund: Bloomberg Barclays Euro Aggregate Index.
- Franklin Flexible Conservative Fund: EURIBOR 3-month
- Franklin Flexible Growth Fund: EURIBOR 3-month
- Franklin Gulf Wealth Bond Fund: FTSE MENA Broad Bond GCC Issuers Index
- Franklin Genomic Advancements Fund: Russell 3000 Index
- Franklin Global Aggregate Bond Fund: Bloomberg Barclays Global Aggregate Index
- Franklin Global Convertible Securities Fund: Refinitiv Global Focus Convertible Index
- Franklin Global Corporate Investment Grade Bond Fund: Bloomberg Barclays Global Aggregate Credit Index
- Franklin Global Income Fund: Blended 50% MSCI ACWI High Dividend Yield + 20% Bloomberg Barclays Global High Yield Corporate + 30% Bloomberg Barclays Global Aggregate Index
- Franklin Gold and Precious Metals Fund: FTSE Gold Mines Index

<sup>21</sup> As from November 1, 2021, the ICE LIBOR 3 Month will be replaced by:

- Secured Overnight Financing Rate (SOFR) (used for performance fee calculation purposes)
- Euro Short-Term Rate (ESTR) (used for performance fee calculation purposes)
- Swiss Average Rate Overnight (SARON) (used for performance fee calculation purposes)
- Sterling Overnight Index Average (SONIA) (used for performance fee calculation purposes)
- Tokyo Overnight Average Rate (TONAR) (used for performance fee calculation purposes)

- Franklin High Yield Fund: ICE BofA US High Yield Constrained Index
- Franklin Income Fund: Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg Barclays High Yield Very Liquid Index + 25% Bloomberg Barclays US Aggregate Index
- Franklin India Fund: MSCI India Index
- Franklin Inflation Protected Fund: Bloomberg Barclays US 1-10 Year TIPS Index
- Franklin Innovation Fund: Russell 1000 Growth Index
- Franklin Intelligent Machines Fund: Russell 3000 Index
- Franklin Japan Fund: Tokyo Stock Price Index (TOPIX)
- Franklin MENA Fund: S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%
- Franklin Mutual European Fund: MSCI Europe Value Index
- Franklin Mutual Global Discovery Fund: MSCI World Value Index
- Franklin Mutual U.S. Value Fund: Russell 1000 Value Index
- Franklin Natural Resources Fund: S&P North American Natural Resources Sector Index
- Franklin NextStep Balanced Growth Fund: Blended 30% Bloomberg Barclays Multiverse (hedged to USD) + 30% MSCI AC Asia Pacific Ex-Japan + 30% MSCI ACWI + 10% JPM GBI-EM Broad Diversified Asia Index
- Franklin NextStep Conservative Fund: Blended 75% Bloomberg Barclays Multiverse (hedged to USD) + 25% MSCI ACWI
- Franklin NextStep Dynamic Growth Fund: Blended 40% MSCI AC Asia Pacific Ex-Japan + 35% MSCI ACWI + 20% Bloomberg Barclays Multiverse (hedged to USD) + 5% JPM GBI-EM Broad Diversified Asia Index
- Franklin NextStep Growth Fund: Blended 75% MSCI ACWI + 25% Bloomberg Barclays Multiverse (hedged to USD)
- Franklin NextStep Moderate Fund: Blended 60% MSCI ACWI + 40% Bloomberg Barclays Multiverse (hedged to USD)
- Franklin NextStep Stable Growth Fund: Blended 60% Bloomberg Barclays Multiverse (hedged to USD) + 15% MSCI AC Asia Pacific Ex-Japan + 15% JPM GBI-EM Broad Diversified Asia Index + 10% MSCI ACWI.
- Franklin Strategic Income Fund: Bloomberg Barclays US Aggregate Index
- Franklin Systematic Style Premia Fund: ICE BofA US 3-Month Treasury Bill Index
- Franklin Technology Fund: MSCI World Information Technology Index
- Franklin U.S. Dollar Short-Term Money Market Fund: LIBID-USD-1-Month-Rate Index
- Franklin U.S. Government Fund: Bloomberg Barclays US Government - Intermediate Index
- Franklin U.S. Low Duration Fund: Bloomberg Barclays US Government & Credit (1-3 Y) Index
- Franklin U.S. Opportunities Fund: The Russell 3000 Growth Index is considered the Fund's primary benchmark because it consists of growth securities, which is aligned with the investment manager's focus on growth securities. The performance of the S&P 500 Index is provided because it is considered a proxy for the US equity market.
- Franklin World Perspectives Fund (to be renamed Franklin Global Growth Fund effective as from September 13, 2021): MSCI World Index
- Templeton All China Equity Fund: MSCI China All Shares 10/40 Index
- Templeton Asia Equity Total Return Fund: MSCI AC Asia ex-Japan Index
- Templeton Asian Bond Fund: JPM GBI-EM Broad Diversified Asia Index
- Templeton Asian Growth Fund: MSCI All Country Asia ex-Japan 10/40 Index
- Templeton BRIC Fund: MSCI BRIC Index
- Templeton China A-Shares Fund: MSCI China A Onshore Index
- Templeton China Fund: MSCI China 10/40 Index
- Templeton Eastern Europe Fund: MSCI EM Europe Index
- Templeton Emerging Markets Bond Fund: JP Morgan EMBI Global Index
- Templeton Emerging Markets Dynamic Income Fund: Blended 50% MSCI Emerging Markets + 50% JP Morgan GBI-EM Global Diversified Index
- Templeton Emerging Markets Fund: MSCI Emerging Markets Index
- Templeton Emerging Markets Local Currency Bond Fund: JP Morgan GBI-EM Global Diversified Index
- Templeton Emerging Markets Sustainability Fund: MSCI Emerging Markets index.
- Templeton Euroland Fund: MSCI EMU Index
- Templeton European Dividend Fund: MSCI Europe Index
- Templeton European Opportunities Fund: MSCI Europe Index
- Templeton European Small-Mid Cap Fund: MSCI Europe Small-Mid Cap Index
- Templeton Frontier Markets Fund: MSCI Frontier Emerging Markets Select Countries Capped Index
- Templeton Global Balanced Fund: Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index
- Templeton Global Bond (Euro) Fund: JP Morgan Global Government Bond (Hedged into EUR) Index.
- Templeton Global Bond Fund: JP Morgan Global Government Bond Index.
- Templeton Global Equity Income Fund: MSCI All Country World Index
- Templeton Global Fund: MSCI All Country World Index
- Templeton Global High Yield Fund: Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index
- Templeton Global Income Fund: Blended 50% MSCI All Country World Index + 50% Bloomberg Barclays Multiverse Index
- Templeton Global Total Return Fund: Bloomberg Barclays Multiverse Index
- Templeton Global Total Return II Fund: Bloomberg Barclays Multiverse Index
- Templeton Growth (Euro) Fund: MSCI All Country World Index
- Templeton Latin America Fund: MSCI EM Latin America Index