

# Franklin Floating Rate Fund Plc



# **FRANKLIN FLOATING RATE FUND PLC**

## **ESTABLISHED IN IRELAND**

### **SINGAPORE PROSPECTUS**

**12 April 2019**

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**This Singapore Prospectus incorporates and is not valid without the attached Ireland prospectus dated 6 August 2018 for the Franklin Floating Rate Fund Plc (the “Ireland Prospectus”). The Franklin Floating Rate Fund Plc (the “Fund” or the “Company”) is an investment company with variable capital incorporated in Ireland and constituted outside Singapore. The Fund, being the offeror of its shares, has appointed Templeton Asset Management Ltd as its agent for service of process and as its Singapore representative (whose details appear in the directory of this Singapore Prospectus).**

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## IMPORTANT INFORMATION

The collective investment scheme offered in this Singapore Prospectus, *i.e.*, the Franklin Floating Rate Fund Plc (the “**Fund**” or the “**Company**”) is a recognised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). A copy of this Singapore Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the “**Authority**”). The Authority assumes no responsibility for the contents of this Singapore Prospectus. The registration of this Singapore Prospectus by the Authority does not imply that the SFA or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the Fund.

The date of registration of this Singapore Prospectus with the Authority is 12 April 2019. This Singapore Prospectus shall be valid for a period of 12 months after the date of registration (*i.e.*, up to and including 11 April 2020) and shall expire on 12 April 2020.

This Singapore Prospectus relating to the Fund incorporates and is not valid without the Ireland Prospectus. Unless the context otherwise requires, terms defined in the Ireland Prospectus shall have the same meaning when used in this Singapore Prospectus except where specifically provided for in this Singapore Prospectus.

The Fund is an investment company with variable capital incorporated in Ireland on 1 December 1999 as a public limited company under registration number 316174. Separate classes of shares (“**Classes**” and each a “**Class**”) are issued in relation to the Fund.

The directors of the Fund (the “**Directors**”) have taken all reasonable care to ensure that the facts stated in this Singapore Prospectus are true and accurate in all material respects and that there are no other material facts the omission of which makes any statement of fact or opinion in this Singapore Prospectus misleading. The Directors accept responsibility accordingly.

The distribution of this Singapore Prospectus and the offering or purchase of the shares of the Fund (the “**Shares**”) is restricted in certain jurisdictions and to certain persons. No persons receiving a copy of this Singapore Prospectus or the accompanying application form in any such jurisdiction may treat this Singapore Prospectus or such application form as constituting an invitation to them to subscribe for Shares, nor should they in any event use such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Singapore Prospectus does not constitute an offer 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 or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Singapore Prospectus and any persons wishing to apply for Shares pursuant to this Singapore Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The Shares are offered only on the basis of the information contained in this Singapore Prospectus and the latest audited annual accounts and any subsequent half-yearly report of the Fund.

Any further information or representation given or made by any dealer, broker or other person should be disregarded and accordingly, should not be relied upon. No person has been authorised to give any information or to make any representations, other than those contained in this Singapore Prospectus in connection with the offering and issue of Shares in the Fund and, if given or made such information or representations must not be relied upon as having been authorised by the Fund or the Directors or by the investment manager of the Fund. Neither the delivery of this Singapore Prospectus nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation that the information given in this Singapore Prospectus is correct as of any time subsequent to the date of this Singapore Prospectus. Statements made in the attached Ireland Prospectus are based on the law and practice currently in force in Ireland and are subject to changes therein. This Singapore Prospectus should be read in its entirety before making an application for Shares.

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 nationals or 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. 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.

Shares in the Company may not be purchased by retail investors in the European Union and are also not marketed to professional investors in the European Union.

#### **Foreign Account Tax Compliance Act ("FATCA")**

FATCA requires FFIs to provide the U.S. Internal Revenue Service with information about accounts held directly or indirectly by certain specified US persons. In addition, a 30% withholding tax is

imposed on certain types of U.S. sourced income (including dividends, interest and certain derivative payments) and on gross proceeds of sale of certain U.S. assets that can produce U.S. sourced income paid to an FFI that fails to comply with FATCA.

The Government of Ireland has entered into a Model 1 Intergovernmental Agreement (the “**Irish IGA**”) with the United States for the implementation of FATCA. The Company will have to comply with the Irish IGA and its implementing regulations. More specifically, the Company will be required to collect information aiming to identify its direct and indirect Shareholders that are US Persons for FATCA purposes (“**reportable accounts**”). Any such information on reportable accounts will be shared with the Irish tax authorities, who will then exchange that information on an automatic basis with the Government of the United States.

The Company is registered with the IRS and is a deemed-compliant FFI. The Company intends to comply with the terms of the Irish IGA to be deemed compliant with FATCA and not be subject to the 30% withholding tax with respect to its share of any payments attributable to actual and deemed U.S. investments in the Company. To ensure the Company’s compliance with FATCA and the Irish IGA, the Company, either directly or through its agents, 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; or
- (b) report information concerning a Shareholder and his account holding in the Company to the Irish tax authorities if such account is deemed a U.S. reportable account under the Irish IGA; and
- (c) if permitted by applicable law or rules, deduct applicable U.S. withholding taxes from certain payments made to a shareholder by or on behalf of the Company in accordance with FATCA and the Irish IGA. The Company in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

Although the Company will endeavour to satisfy any obligations imposed on it to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the FATCA regime, its net asset value may be adversely affected and Shareholders may suffer substantial losses as a result.

### **Data Protection**

All personal data of Investors (“**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 AIFM may be subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used (“**processed**”) by the Company, the AIFM and other companies of Franklin Templeton Investments, including Franklin Resources, Inc. and/or its subsidiaries and associates, the Depositary and any other third parties which provide services to them, any of which may be established outside Ireland and/or the European Union, including the US and India. Such 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, under the European Savings Directive or for the purpose of compliance with FATCA or similar laws and regulations (e.g. on OECD level). The Company and/or the AIFM, 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 Irish tax authorities which may transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton Investments group may also use personal data for other purposes set forth in the Franklin Templeton Privacy Notice.

The Company asks for investors to consent to the use of information on their religious or philosophical beliefs which may be revealed by compliance checks against politically exposed persons, for the above purposes. This consent is in the application form for Shares.

The Franklin Templeton Privacy Notice provides further information on the Company's and Franklin Templeton Investments' use of personal data and individuals' rights in that regard and is available at [www.franklintempletonglobal.com/privacy](http://www.franklintempletonglobal.com/privacy). A hard copy is available by writing to the registered address of the AIFM.

For the purposes of, and subject to the provisions in, the Personal Data Protection Act of Singapore (“**PDPA**”) and its regulations, the Investor consents and acknowledges that all Data provided by the Investor to the Corporate Representative, the Company, the AIFM, any distributor appointed by the Company and other companies of Franklin Templeton Investments, may be collected, used, disclosed or otherwise processed to enable each of the aforesaid entities to carry out their respective duties and obligations in relation to any investment by the Investor into the Company, for each of the purposes as set out in this section or as may be permitted under the PDPA.

The Fund's constitution is set out in the Fund's memorandum and articles of association (the “**Articles of Association**”). All shareholders of the Fund are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Articles of Association, copies of which are available for inspection by investors, free of charge, from the office of the Singapore Representative at 7 Temasek Boulevard, #38-03, Suntec Tower One, Singapore 038987 during normal Singapore business hours.

**Investment in the Fund carries with it a degree of risk. The value of Shares and the income from them, if any, may go down as well as up, and investors may not get back the amount invested. Investment in the Fund should not constitute the sole or main investment of an investor's portfolio. Investors should consider the risk factors set out in paragraph 7 of this Singapore Prospectus and under the heading "Risk Factors" in the Ireland Prospectus.**

Investors may wish to consult their independent financial adviser about the suitability of the Fund for their investment needs.

All enquiries in relation to the Fund should be directed to the Singapore Representative at:

7 Temasek Boulevard  
#38-03 Suntec Tower One  
Singapore 038987  
Company Registration Number: 199205211E  
Telephone : (65) 6432 9432

Fax : (65) 6332 2295  
Email : [cdsspr@franklintempleton.com](mailto:cdsspr@franklintempleton.com)

**IMPORTANT: PLEASE READ AND RETAIN THIS SINGAPORE PROSPECTUS FOR  
FUTURE REFERENCE**



## **DIRECTORY**

### **The Fund**

#### **Franklin Floating Rate Fund Plc**

Registered Office:  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

#### **Board of Directors of the Fund**

Gregory E. McGowan  
Frank Ennis  
David McGeough  
Hans Wisser  
Ken Lewis (Alternate Director to Gregory E. McGowan)

### **AIFM**

Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246  
Luxembourg

### **Investment Manager**

Franklin Advisers, Inc  
One Franklin Parkway  
San Mateo  
CA 94403-1906  
U.S.A.

### **Administrator**

J.P. Morgan Administration Services (Ireland) Limited  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Depository**

J.P. Morgan Bank (Ireland) plc  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Auditors**

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

**Agent for Service of Process in Singapore and Singapore Representative**

Templeton Asset Management Ltd  
7 Temasek Boulevard  
#38-03 Suntec Tower One  
Singapore 038987  
Tel: (65) 6241 2662  
Fax: (65) 6332 2295  
Email: [cdsspr@franklintempleton.com](mailto:cdsspr@franklintempleton.com)

**Legal Advisers as to Irish Law**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Legal Advisers as to Singapore Law**

Chan & Goh LLP  
50 Craig Road  
#03-01  
Singapore 089688

## 1. THE FUND

The Fund, Franklin Floating Rate Fund Plc, is an investment company with variable capital incorporated in Ireland on 1 December 1999 as a public limited company under registration number 316174.

The Fund is a retail alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as amended (“**AIFMD**”) and has appointed Franklin Templeton International Services S.à r.l. to be its AIFM. The Fund is authorised by the Central Bank of Ireland as an investment company under the Companies Act 2014 of Ireland (the “**Act**”) and designated by the Central Bank of Ireland under Section 1395 of Part 24 of the Act to provide facilities for the direct or indirect participation by the public in the profits and income of the Fund. It is structured as a single fund.

The Fund is not an Undertaking for Collective Investment in Transferable Securities and is not subject to the Directive 2009/65/EC of the European Parliament on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and of the Council of July 13, 2009, as amended.

The Fund is a feeder fund feeding into the Master Fund.

More details on the Fund can be found under the heading “**THE COMPANY**” in the Ireland Prospectus.

## 2. THE CLASSES

Separate Classes of Shares are issued in relation to the Fund. The Fund is currently offering to investors in Singapore the following Classes of Shares for subscription:

Share Class	Denomination
Class A (dis) Shares	USD
Class A (acc) Shares	USD
Class AX (dis) Shares	USD
Class A (dis) SGD-H1 Shares	SGD
Class A (dis) EUR-H1 Shares	EUR
Class A (dis) RMB-H1 Shares	RMB
Class B (dis) Shares <sup>^</sup>	USD
Class C (dis) Shares	USD
Class N (dis) Shares	USD
Class N (acc) Shares	USD
Class Z (acc) Shares	USD
Class Z (dis) Shares	USD

<sup>^</sup> Class B Shares will no longer be available for subscription with effect from 1 April 2016.

Different Classes of Shares may have different fee structures as described in paragraph 6 of this Singapore Prospectus and different minimum subscription and minimum holding amounts as described in paragraphs 8.3 and 9.2 respectively of this Singapore Prospectus. Dividends are declared only in respect of (dis) Shares and not (acc) Shares. Distributions may also be made out of capital of the Fund. Where distributions are made out of capital, it will result in a reduction in the net asset value of the Fund (“**Net Asset Value**”). Please refer to the heading “**INVESTMENT TECHNIQUES - Dividend Distribution Policy of the Company**” in the Ireland Prospectus for details.

“**USD**” means United States Dollars.

“**SGD**” means Singapore Dollars.

“**EUR**” means Euro.

“**RMB**” means Renminbi.

### **3. MANAGEMENT AND ADMINISTRATION**

Full details on the management and administration of the Fund are set out under the heading “**MANAGEMENT AND ADMINISTRATION**” in the Ireland Prospectus.

#### **3.1 Directors**

The Directors are responsible for managing the business affairs of the Fund in accordance with the Articles of Association. The Directors have delegated (i) the day-to-day administration of the Fund’s affairs (including the calculation of the Net Asset Value and the Net Asset Value per Share, Shareholder registration and transfer agency services and related services) to the Administrator, and (ii) the management of the cash and other assets and investments of the Fund to the AIFM.

#### **3.2 AIFM**

Franklin Templeton International Services S.à r.l. has been authorised by the Commission de Surveillance du Secteur Financier to act as an AIFM pursuant to the Law of 12 July 2013 and has been appointed by the Fund as alternative investment fund manager to perform portfolio and risk management functions as well as activities related to the assets of the Fund. The AIFM has delegated the portfolio management services to the Investment Manager. The AIFM and the Investment Manager are members of Franklin Templeton Investments.

The AIFM was incorporated on 17 May 1991 as a société anonyme 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 AIFM will comply at all times with article 12 (Remuneration) of the Law of 12 July 2013. The regulatory authority of the AIFM is Commission de Surveillance du Secteur Financier.

The share capital of the AIFM is EUR 4,042,178.82 and will comply at all times with article 8 of the Law of 12 July 2013.

Franklin Templeton International Services S.à r.l. was authorised on 21 November 2013 as a management company managing UCITS and other investment funds and therefore complies with the conditions set out in Chapter 15 of the Law of 17 December 2010. The corporate object of Franklin Templeton International Services S.à r.l. is to provide investment management, administration and marketing services to undertakings for collective investment.

The AIFM has managed collective investment schemes since 1991.

The AIFM is responsible for the portfolio management and the risk management function of the Fund. The AIFM is also responsible for ensuring compliance with the AIFMD.

The Fund may terminate and replace the AIFM in the event of the insolvency of the AIFM. The Fund will notify investors of such an occurrence.

#### Board of Managers of the AIFM

##### **PAUL J. BRADY**

Director

Franklin Templeton Global Investors Limited [UK]

London, United Kingdom

Paul J. Brady, Operations Director of Franklin Templeton Investment Management Limited, Franklin Templeton Fund Management Limited, Franklin Templeton Global Investors Limited and Franklin Templeton International Services S.à r.l. Luxembourg, all are subsidiaries of Franklin Resources Inc. Mr. Brady has specific responsibilities for the International Transfer Agent, which includes service and operations in 15 locations worldwide. He is also responsible for all UK operations from a regulatory and oversight perspective. He is based in London, UK.

Mr. Brady joined Franklin Templeton Investments in 2001 to lead the international transfer agent. Prior to joining Franklin Templeton Investments, Mr. Brady worked for The Bank of New York based in London and Edinburgh. He worked for this company and its predecessor organizations for 15 years gaining extensive mutual fund experience in operations, client service, product development and systems development. His final position was vice president of operations and service responsible for the Bank of New York's mutual fund administration business in Edinburgh, Scotland.

##### **KATHLEEN M. DAVIDSON**

Chief Administration Officer, International Advisory Services

Director

Franklin Templeton Global Investors Limited [UK]

Edinburgh, United Kingdom

Kathleen M. Davidson is a chief administration officer and director of International Business Development based in Franklin Templeton's Edinburgh office. Among many

responsibilities, she is primarily accountable for supporting the head of International in the development of our international business, ensuring that our operational infrastructure is tracking our growth. She will also help the regional teams expand their operations.

Ms. Davidson joined the firm in 1988 as a financial controller for Templeton Unit Trust Managers Limited, with responsibility for financial accounting, fund accounting and the transfer agent. She also has nine years of experience as a Project Development Manager with the firm.

Prior to Franklin Templeton Investments, Ms. Davidson spent one year as an Investment Accountant for Scottish Provident, and six years with Grant Thornton, C.A. where she became a Chartered Accountant, and gained experience with audit, tax and accountancy service across a number of industries.

Ms. Davidson earned her B.A. in accountancy and finance from Heriot-Watt University, Edinburgh, United Kingdom. She is a Member of Institute of Chartered Accountants of Scotland.

#### **ALOK SETHI**

Executive Vice President  
Technology & Operations  
Franklin Templeton Investments  
Dubai International Financial Centre  
Gate Building, East Wing, Level 2  
PO Box 506613  
Dubai, United Arab Emirates

Alok Sethi is Chairman of Franklin Templeton Services, LLC (FTS). FTS provides investment management services to Franklin Templeton products globally.

Mr. Sethi is also responsible for Franklin Templeton International Services (India) Private Limited (FTIS) and Franklin Templeton Investments Poland SP.z.o.o. Both are subsidiaries of Franklin Resources, Inc. (FRI) and are a microcosm of most functions performed within FRI companies worldwide.

Prior to joining Franklin Templeton, Mr. Sethi was with Mphasis BFL. At Mphasis, he joined as the chief of staff to the chairman. Before Mphasis, he was the COO of Andersen as a part of their India Leadership Team. Prior to Andersen, he was a banker and an investment banker.

Mr. Sethi is a member of the Institute of Chartered Accountants of India and is a Bachelor of Commerce (honours) graduate from Delhi University. Before relocating to the U.S. in September 2009, he was on the board of The American Chamber of Commerce (AMCHAM), vice chairman to the AMCHAM National Executive Board and chairman of its Hyderabad Chapter. He was also the chairman of the Hyderabad Chapter of the Captive

Units Forum of National Association of Software and Service Companies (NASSCOM) in India.

**GWEN SHANEYFELT**

Senior Vice President, Global Accounting & Taxation  
Franklin Templeton Companies LLC  
San Mateo, California, United States

Gwen Shaneyfelt is responsible for global corporate accounting, accounting policy, financial reporting, taxation and transfer pricing for Franklin Templeton Investments.

Mrs. Shaneyfelt has devoted her career to the financial services industry and has spent more than 20 years in the investment management industry. From 2006 through 2011, she served as chairman of the ICI Tax and Advisor/Distributor Tax committees. Prior to joining Franklin Templeton, Mrs. Shaneyfelt was Executive Director of Tax at Morgan Stanley Investment Management where she was responsible for all corporate and fund tax matters for the Investment Management Division. In addition to Morgan Stanley, Mrs. Shaneyfelt's investment services career includes senior tax positions at Van Kampen Investments and KPMG Peat Marwick where she was a Senior Tax Manager.

Mrs. Shaneyfelt received her BS in Accountancy from Northern Illinois University. She is an Illinois Certified Public Accountant in the State of Illinois.

**JULIE MORET**

Director, Investment Risk - ESG  
Franklin Templeton Investment Management Limited  
London, United Kingdom

Julie Moret joined Franklin Templeton Investments in 2013 as a director, Investment Risk focused on environmental, social and governance issues. Ms. Moret is responsible for leading the firm's efforts to enhance the integration of ESG considerations into the investment lifecycle and investment risk framework across the organisation globally. In her role Ms. Moret partners alongside the Investment Teams and Risk Managers to foster a disciplined, systematic and structured approach to the evaluation of ESG risks and opportunities.

Ms Moret joined from Aviva Investors, where she was employed between 2009-2013. Ms. Moret initially held the position of equity portfolio risk manager, where she was responsible for managing a team of equity risk analysts and for the investment risk oversight across all Aviva Investors equity funds. Ms. Moret moved into the head of investment risk strategy role where she was responsible for establishing Aviva's global investment risk framework.

Prior to this, Ms. Moret spent over 8 years at Barra, now MSCI where she was a vice president in their Risk Analytics Team, working with clients globally on education, usage and integration of risk analytics across equity and fixed income within client organisations.

Ms. Moret started her career in 1998 at Risk Reporting, where she spent 2 years working as a risk analyst on behalf of pension funds and consultant clients.

Ms. Moret earned a B.A. in Economics and M.A. in International Economics from Essex University.

**DENISE VOSS**

Conducting Officer

Franklin Templeton International Services S.à r.l.

Luxembourg

Denise Voss is the conducting officer and director of Franklin Templeton International Services S.à r.l., Franklin Templeton Investments' Luxembourg-based management company, managing both UCITS and AIFs.

Ms. Voss joined Franklin Templeton Investments in 1995 where she served as a general manager of the Luxembourg subsidiary until December 2005. Between 2006 and 2013, she held the role of conducting officer of Franklin Templeton Investments' Luxembourg-domiciled UCITS, Franklin Templeton Investment Funds (SICAV).

Prior to joining Franklin Templeton Investments, Ms. Voss worked in the audit division of Coopers & Lybrand in Boston, USA and Luxembourg, for over nine years.

Ms. Voss holds a Massachusetts C.P.A. license and obtained an undergraduate degree from Tufts University, as well as a masters degree in accountancy from Bentley College. She is a Chairman of the Association of the Luxembourg Fund Industry (ALFI) and has been a member of the ALFI board of directors since 2007. Ms. Voss is also past chairman of the European Fund and Asset Management Association (EFAMA) Investor Education working group.

**A. CRAIG BLAIR**

Conducting Officer

Franklin Templeton International Services S.à r.l.

Grand Duchy of Luxembourg

Mr A. Craig Blair is a Director and Conducting Officer for Franklin Templeton International Services S.à r.l. in Luxembourg, where he has worked since 2004.

In that time, Mr Blair has held a number of roles within the organisation in fund administration.

Mr Blair holds an MBA from Manchester Business School, is a Member of the Chartered Institute of Management Accountants and holds a Law degree from Leicester University.

**PAUL COLLINS**

Senior Vice President

Head of EMEA Equity Trading

Franklin Templeton Investment Management Limited



Edinburgh, United Kingdom

Paul Collins is Head of Equity Trading EMEA for Franklin Templeton Investments based in Edinburgh, Scotland.

Paul has been with Franklin Templeton since 2003 and manages a team of 11 traders in Edinburgh and Dubai.

Paul began his career with Baillie Gifford & Co in 1991 before moving to Aegon Asset Management in 1997.

## **WILLIAM JACKSON**

Director

Franklin Templeton Investment Management Limited  
Edinburgh, United Kingdom

William Jackson is a senior vice president of Franklin Templeton Services and is based in Edinburgh. He has four main areas of responsibility:

Portfolio Administration – Investment administration for all FT Institutional accounts;  
New Business Services – New product launch support and institutional on-boarding;  
FTS PMO – Project services and systems support for FTS;  
Site Leader for global operations center in Poznan.

He is also a director of a number of Franklin Templeton corporate and fund entities based in UK and Luxembourg.

Mr Jackson joined Franklin Templeton in 1999 as Head of European Fund Accounting and progressed to Head of International Fund Accounting in 2002. From 2005 to 2008, he was Managing Director for Franklin Templeton International Services in Luxembourg and from 2011 to 2013, Mr. Jackson was President of Franklin Templeton International Services based in Hyderabad.

Prior to joining Franklin Templeton, Mr Jackson spent nine years with Fleming Asset Management in Edinburgh and Luxembourg.

Mr Jackson earned his degree in industrial chemistry from Paisley College and is a member of The Chartered Institute of Management Accountants.

### 3.3 Investment Manager

The investment manager of the Fund is Franklin Advisers, Inc. (the “**Investment Manager**”), a company incorporated in U.S.A. whose registered office is at One Franklin Parkway, San Mateo, CA 94403-1906, U.S.A. The regulatory authority of the Investment Manager is the U.S. Securities and Exchange Commission.

The AIFM has appointed Franklin Advisers, Inc. as the Investment Manager of the Fund to assist in investing and managing the cash and other assets and investments of the Fund. The Investment Manager of the Fund also acts as Investment Adviser of the Master Fund. The Investment Manager continuously conducts investment research and is responsible for the purchase, sale or exchange of portfolio assets.

Franklin Advisers Inc. has managed collective investment schemes since 1985.

#### Portfolio Management Team

The portfolio management team consists of Reema Agarwal, Justin Ma and Margaret Chiu, who are co-lead managers.

Reema Agarwal is a Senior Vice President and the Director of the Floating Rate Debt Group. She manages the team of research analysts and portfolio managers across the full spectrum of the bank loan market. Prior to assuming her current role as Director of the Floating Rate Debt group, Reema was the Director of Research for the Floating Rate Debt Group from 2014 through 2018. She was also responsible for the analysis of bank loans in the paper/packaging, chemicals and capital equipment sectors. During her tenure at Franklin, Reema has covered several sectors, including beverage, food & tobacco, consumer goods, high tech, publishing, metals and mining, retail and business services. Prior to joining the firm in 2004, Ms. Agarwal was with FleetBoston Financial for three years where she managed a bank loan portfolio of technology companies on the US West Coast. Prior to FleetBoston, she was with the Structured Finance group at ABN AMRO Bank N.V. for three years, analyzing bank loans to telecom, power and hydrocarbon infrastructure projects. Ms. Agarwal holds an M.B.A. from the Indian Institute of Management, Bangalore. She is a Chartered Financial Analyst (CFA) charterholder and is a member of the CFA Society of San Francisco (CFASF).

Justin Ma is an assistant portfolio manager for Franklin Advisers' Floating Rate Debt Group. He is a portfolio manager on Franklin Floating Rate Daily Access Fund, Franklin Floating Rate Fund plc, and FTSIIF - Franklin Floating Rate II Fund, as well as the floating rate investments of Franklin Templeton Limited Duration Income Trust Fund. Mr. Ma is also a member of the Investment Committee. Mr. Ma joined Franklin Templeton in 2006 as a member of the Futures Program and joined the Floating Rate Debt Group as a portfolio analyst in 2008. Mr. Ma holds a B.A. from Stanford University and is a Chartered Financial Analyst (CFA) Charterholder. He is also a member of the CFA Society of San Francisco (CFASF) and the CFA Institute.

Margaret Chiu is a portfolio manager for the Franklin Advisers' Floating Rate Debt Group. Ms. Chiu provides portfolio analytics for the floating rate open-end funds and institutional separate accounts. Ms. Chiu joined Franklin Templeton in 2012 and the Floating Rate Debt Group in 2013. Ms. Chiu holds a B.S. in business administration from the University of California, Berkeley. She is a Chartered Financial Analyst (CFA) charterholder and a Certified Financial Risk Manager (FRM).

The AIFM may terminate the Investment Manager with immediate effect, in the event of the insolvency of such Investment Manager.

#### **4. OTHER PARTIES**

##### **4.1 The Singapore Representative**

4.1.1 Templeton Asset Management Ltd has been appointed by the Fund to act as the Fund's local agent in Singapore to accept service of process on behalf of the Fund.

4.1.2 Templeton Asset Management Ltd has also been appointed by the Fund to act as the representative for the Fund (the “**Singapore Representative**”) for the purposes of the SFA, and to carry out and provide certain administrative and other functions and services in respect of the Fund.

4.1.3 The Singapore Representative shall carry out and provide (or procure to be carried out and provided) administrative and other functions and services, including but not limited to:

- (i) facilitating the issue, redemption and conversion of Shares;
- (ii) publishing the most recent net asset value of Shares;
- (iii) facilitating the sending of reports to the shareholders of the Fund who subscribed for or purchased Shares in Singapore (the “**Shareholders**”);
- (iv) maintaining for inspection in Singapore a subsidiary register of Shareholders or maintaining in Singapore any facility that enables the inspection or extraction of the equivalent information;
- (v) receiving all enquiries in relation to the Fund from Shareholders and applicants of the Fund and forwarding the same to the Fund;
- (vi) making available at the Singapore Representative's office for public inspection and offering free of charge to Shareholders and applicants of the Fund, copies of the Articles of Association, the Singapore Prospectus and the latest audited annual reports and semi-annual reports of the Fund; and
- (vii) accepting on behalf of the Fund service of all notices and other documents addressed to the Fund by any Shareholder and immediately despatching the same to the Fund.

##### **4.2 Administrator and Registrar and Transfer Agent**

The Fund has appointed J.P. Morgan Administration Services (Ireland) Limited (the “**Administrator**”) to act as administrator and registrar and transfer agent to the Fund and will provide accounting, calculation of the Net Asset Value of the Fund, fund administration and transfer agency services to the Fund.

The Singapore Representative acts as the Administrator's agent in Singapore to provide the Fund with registrar agent services in relation to the Singapore Shareholders.

A copy of the register of Shareholders is kept at the registered office of the Singapore Representative at 7 Temasek Boulevard, #38-03 Suntec Tower One, Singapore 038987 and is available for inspection by investors, free of charge, during normal Singapore business hours.

#### 4.3 Depositary

The Fund has appointed J.P. Morgan Bank (Ireland) plc (the “**Depositary**”) to act as depositary of all the Fund's assets. The Depositary was incorporated in Ireland as a limited liability company on 30 November 1926. The Depositary is ultimately a wholly-owned subsidiary of J.P. Morgan Chase & Co. of Delaware, U.S.A. One of the principal activities of the Depositary is to act as depositary and trustee of collective investment schemes. The regulatory authority of the Depositary is the Central Bank of Ireland.

The Fund may terminate the Depositary in the event of a liquidation of the Depositary, where a successor custodian and depositary shall have been appointed in accordance with the Articles, the Act and approved by the Central Bank.

Please refer to the heading “**MANAGEMENT AND ADMINISTRATION — The Depositary**” in the Ireland Prospectus for more details on the Depositary.

#### 4.4 Auditors

The auditors of the Fund are PricewaterhouseCoopers whose registered office is at One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

### 5. INVESTMENT OBJECTIVE AND POLICY

#### 5.1 Investment Objective and Policy of the Fund

The Fund's investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the “**Common Shares**”) in the Franklin Floating Rate Master Trust (the “**Master Fund**”). The investment objectives, policies and restrictions of the Master Fund are set out below in paragraph 5.2 of this Singapore Prospectus. Any net assets not invested in the Master Fund will be retained in cash or invested in cash equivalents. There can be no assurance that the Fund will achieve its investment objective. Investors should carefully assess the risks associated with an investment in the Fund. Please see paragraph 7 of this Singapore Prospectus for the risk factors.

Further details of the investment objective and policy of the Fund are set out under the heading “**INVESTMENT CONSIDERATIONS — Investment Objective and Policy of the Company**” in the Ireland Prospectus.

#### 5.2 Investment Objectives, Policies and Restrictions of the Master Fund

The Master Fund was organised as a Delaware statutory trust on 16 November 1999 and on 11 June 2002, the Master Fund's Board of Trustees voted to register the trust as an open-ended investment company which was approved by the shareholders on 26 June 2002. The Master Fund is registered with the U.S. Securities & Exchange Commission (the “**SEC**”) and is regulated as an investment company under the U.S. Investment Company Act of 1940, as amended. Investors should be aware that the performance of the Fund will be dependent on the performance of the Master Fund and that any decline in the net asset value of Common Shares held in the Master Fund will result in the subsequent decline of the Net Asset Value per Share.

The Master Fund's investment goal is to provide as high a level of current income and preservation of capital as is consistent with investment primarily in senior secured corporate loans and corporate debt securities with floating interest rates.

The debt obligations (U.S. government securities, U.S. government agency securities, money market instruments, corporate and commercial obligations and repurchase agreements) in which the Master Fund may invest (whether by way of subscription, acquisition, participation or investment) primarily consist of obligations traded on the over-the-counter market in the United States conducted by primary dealers and secondary dealers regulated by the SEC and NASD Regulation, Inc. and by banking institutions regulated by the U.S. Comptroller of Currency, the Federal Reserve System or Federal Deposit Insurance Corporation and, in particular, on the market organised by the Loan Syndications and Trading Association.

The Investment Adviser of the Master Fund performs its own independent credit analysis of each borrower, and of the collateral structure securing the Master Fund's investment. The Investment Adviser of the Master Fund generally will determine the value of the collateral backing the Master Fund's investment by customary valuation techniques that it considers appropriate, including reference to financial statements, independent appraisal, or obtaining the market value of collateral (e.g., cash or securities), if it is readily ascertainable. The Investment Adviser of the Master Fund also will consider the nature of the industry in which the borrower operates, the nature of the borrower's assets, and the general quality and creditworthiness of the borrower. The Investment Adviser of the Master Fund evaluates the credit quality of the Master Fund's investments on an ongoing basis. The value assigned to the collateral by the Investment Adviser of the Master Fund may be higher or lower than the value at which the borrower values the collateral on the borrower's books.

The Master Fund's floating rate investments will, in most instances, hold the most senior position in the capitalization structure of the company and be secured by specific collateral. Such senior position means that, in case the company becomes insolvent, the lenders or security holders in a senior position like the Master Fund will typically be paid before other creditors of the corporation from the assets of the company. When a company pledges specific collateral, it has agreed to deliver, or has actually delivered, to the lenders or security holders assets it owns that will legally become the property of the lenders or security holders in case the company defaults in paying interest or principal.

The Master Fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in corporate loans and corporate debt securities that are made to, or issued by, borrowers that are U.S. companies, non-U.S. borrowers and U.S. subsidiaries of non-U.S. borrowers and that have floating interest rates (floating interest rate loans and securities). Shareholders in the Master Fund will be given sixty days advance notice of any change in this 80% policy. Certain of the Master Fund's floating interest rate investments may permit the borrower to select an interest rate reset period of up to one year. A portion of the Master Fund's investments may consist of loans with interest rates that are fixed for the term of the loan. Investment with longer interest rate reset periods or fixed interest rates may increase fluctuations in the Master Fund's share price as a result of changes in interest rates. Fixed rate corporate loans and debt securities that are converted from fixed rate investments to floating rate investments through interest rate swaps or other derivative transactions will be considered to be floating interest rate loans and securities for purposes of the Master Fund's policy of normally investing at least 80% of its net assets in income-producing floating interest rate corporate loans and corporate debt securities made to or issued by U.S. companies, non-U.S. entities and U.S. subsidiaries of non-U.S. entities. Some of the Master Fund's floating interest rate loans and securities may have the additional feature of converting into a fixed rate instrument after certain periods of time or under certain circumstances. Upon conversion of any such floating interest rate loans and securities to fixed rate instruments, the Investment Adviser of the Master Fund will rebalance the Master Fund's investments, if needed, to meet the 80% level described above, as promptly as is reasonable. Generally, corporate loans and corporate debt securities require that the borrower or issuer comply with various restrictive covenants that accompany the loan or

security although some available in the market from time to time are ‘covenant lite’ in that they contain fewer or no restrictive covenants.

The debt obligations may be structured to require the Master Fund to contribute additional capital to the corporate issuer or obligor. If the Master Fund’s future obligations are not met for any reason, including the failure of an intermediate participant to fulfil its obligations, the Master Fund’s interests may be harmed. The possible exposure of the Master Fund resulting from these requirements will be aggregated to ensure that prior to becoming subject to a requirement to contribute additional capital to such corporate issuer or obligor, the Master Fund will be satisfied the requirements will not result in a breach of its investment restrictions.

The Master Fund normally invests primarily in corporate loans or securities of U.S. entities, but may invest up to 65% of its assets in corporate loans or corporate debt securities of entities in developed countries other than the U.S. The Master Fund may from time to time invest in corporate debt securities of entities in emerging market countries, but currently does not intend to invest more than 35% of its assets in emerging market countries. The Master Fund considers a country to be an emerging market country if it is defined as a country with an emerging or developing economy by any one or more of the following: the International Bank for Reconstruction and Development (commonly known as the World Bank), the International Finance Corporation, or the United Nations or its agencies or authorities.

The Master Fund currently invests predominately in corporate loans or corporate debt securities that are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars. For the purposes of pursuing its investment goals, the Master Fund may enter into interest rate and credit-related transactions involving certain derivative instruments, including interest rate and credit default swaps (including loan and high yield credit default swaps) or other derivative transactions. The Master Fund may use such interest rate or credit-related derivative transactions to hedge risks relating to changes in interest rates, credit risks and other market factors. The Master Fund may also use interest rate or credit-related derivative transactions for the purposes of enhancing Fund returns, increasing liquidity, and/or gaining exposure to particular instruments or interest rates in more efficient or less expensive ways.

When the Investment Adviser of the Master Fund believes market or economic conditions are unfavourable for investors (for example in times of market failure), the Investment Adviser of the Master Fund may invest up to 100% of the Master Fund’s assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include money market fund shares (including shares of an affiliated money market fund), U.S. government securities, high-grade commercial paper, bank obligations, repurchase agreements and other money market instruments. The Investment Adviser of the Master Fund also may invest in these types of securities or hold cash while looking for suitable investment opportunities, to maintain liquidity or to segregate on the Franklin Floating Rate Master Series’ books in connection with its derivative strategies. In these circumstances, the Master Fund may be unable to achieve its investment goals.

In addition to the Master Fund's main investments, the Master Fund may, under normal conditions hold ancillary liquid assets and invest up to 20% of its net assets in certain other types of short term debt securities and obligations including unsecured debt obligations, U.S. government securities, U.S. government agency securities (some of which may not be backed by the full faith and credit of the United States), bank money market instruments (such as certificates of deposit), bankers acceptances and corporate and commercial obligations (such as commercial paper and medium-term notes) and for efficient portfolio management purposes re-purchase agreements. These short-term debt securities or obligations will not exceed 20% of the Master Fund's total assets except (i) during interim periods pending investment of the net proceeds of Common Share sales; (ii) pending reinvestment of proceeds of the sale of debt obligations of the Master Fund; and (iii) during temporary defence periods when, in the opinion of the Investment Adviser of the Master Fund, suitable senior secured debt obligations are not available or prevailing market or economic conditions warrant.

Floating interest rate loans and securities are generally credit-rated less than investment grade and may be subject to restrictions on resale. The Master Fund may invest up to 100% of its portfolio in floating interest rate loans and securities that may be high yield, high risk, debt securities and are rated less than investment grade (i.e., less than BBB, sometimes called junk bonds, or unrated). Under normal conditions, the Master Fund invests at least 65% of its total assets in floating interest rate loans and securities that are rated B or higher by a nationally recognised statistical rating organization ("NRSRO") or, if unrated, are determined to be of comparable quality by the Investment Adviser of the Master Fund. Under normal conditions, the Master Fund may invest up to 35% of its total assets in floating interest rate loans and securities that are rated below B by an NRSRO or, if unrated, are determined to be of comparable quality by the Investment Manager.

The Master Fund has no restrictions on portfolio maturity. The Master Fund anticipates, however, that a majority of its investments will have stated maturities ranging from three to seven years. This means that the borrower is required to fully repay the obligation within that time period. The Master Fund also anticipates that its investments will generally have an expected average life of five years or less. The expected average life of most floating rate investments is less than their stated maturities because the borrowers may choose to pay off such obligations early. Such obligations usually permit the borrower to elect to prepay. Also, prepayment is likely because such corporate obligations generally provide that the lenders will have priority in prepayment in case of sales of assets of the borrowers, or from excess cash flow.

To a limited extent, the Master Fund may also acquire warrants and equities securities traded on Recognised Markets in connection with or incidental to the Master Fund's investment activities. A warrant is a security that gives the holder the right, but not the obligation, to subscribe for newly created securities of the issuer or a related company at a fixed price either at a certain date or during the set period.

The Master Fund may invest up to 5% of its net assets in other investment companies, including closed-end funds and exchange traded funds (ETFs) to the extent permitted by the 1940 Act, U.S. Securities and Exchange Commission ("SEC") rules thereunder and



exemptions thereto. With respect to unaffiliated funds in which the Master Fund may invest, Section 12(d)(1)(A) of the 1940 Act requires that, as determined immediately after a purchase is made, (i) not more than 5% of the value of the Master Fund's total assets will be invested in the securities of any one investment company, (ii) not more than 10% of the value of the Master Fund's total assets will be invested in securities of investment companies as a group, and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the Master Fund. The Master Fund will limit its investments in unaffiliated funds in accordance with the 1940 Act Section 12(d)(1)(A) limitations set forth above, except to the extent that any rules, regulations or no-action or exemptive relief under the 1940 Act permits the Master Fund's investments to exceed such limits in unaffiliated underlying funds. There will be no change to the Master Fund's own fees as a result of its investment in other investment companies, but to the extent that the Master Fund invests in another investment company, because other investment companies pay advisory, administrative and service fees that are borne indirectly by investors, such as the Master Fund, there may be duplication of investment management and other fees. The Master Fund may also invest its cash balances in affiliated money market funds to the extent permitted by its investment policies and rules and exemptions granted under the 1940 Act.

Changes to investment policies which are not fundamental, and which are not material in nature, may be made with the approval of the Board of the Master Fund.

The Master Fund issues only a single class of shares. Currently, the Master Fund has one shareholder, the Franklin Floating Rate Fund PLC.

The Investment Manager is also the investment adviser of the Master Fund (the “**Investment Adviser**”). See the heading “**MANAGEMENT AND ADMINISTRATION — The Investment Adviser of the Master Fund**” in the Ireland Prospectus for further details of the Investment Adviser.

Further details of the investment objectives, policies and restrictions of the Master Fund are set out under the headings “**INVESTMENT CONSIDERATIONS — Investment Objectives and Policies of the Master Fund**” and “**INVESTMENT TECHNIQUES**” in the Ireland Prospectus and the Appendix “**INVESTMENT CONSIDERATIONS — Fundamental Investment Policies of the Master Fund**” of this Singapore Prospectus.

Notwithstanding the investment restrictions above, and for such time as the Fund is recognised by the Monetary Authority of Singapore in Singapore, the Fund and the Master Fund:-

- (a) shall not invest in metals, commodities and infrastructure; and
- (b) shall ensure that borrowings of the Master Fund may not exceed 10% of its total net asset value and should be restricted to facilitating redemptions or defraying operating expenses on a temporary basis. Repos and securities lending agreements used for efficient portfolio management purposes shall not be regarded as “borrowing” for the purposes of this limitation, however, any potential exposure created by over-the-counter contracts entered into by the Master Fund shall be aggregated with any borrowings for the purpose of this limitation.

5.3 Investment in the Franklin Upper Tier Floating Rate Fund, a sub-fund of Franklin Templeton Series II Fund (“**Franklin Upper Tier Fund**”)

The Fund may also invest up to 10% of its net assets in the Franklin Upper Tier Fund. Franklin Upper Tier Fund is a sub-fund of Franklin Templeton Series II Funds (“**FTSIIF**”), which 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**”).

FTSIIF is registered on the official list of undertakings for collective investment pursuant to Part II 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**”) and qualifies as an alternative investment fund within the meaning of article 1(39) of the Law of 12 July 2013.

The Franklin Upper Tier Fund’s investment objective is to provide investors with a high level of current income and preservation of capital while outperforming the JP Morgan Leveraged Loan, BB sub-Index over 3-year rolling periods.

The Franklin Upper Tier Fund seeks to achieve its investment objective by investing not less than 85% of its net assets in a diversified portfolio of floating-rate first lien senior secured institutional syndicated bank loans primarily issued by non-financial U.S., Luxembourg and Developed Market (MSCI definition of Developed Market) entities and corporations (including investment grade bank loans up to 10% in aggregate of the fund’s net assets), and in collateralized loan obligations.

The Franklin Upper Tier Fund will not employ leverage. The Fund and the Franklin Upper Tier Fund have similar risk and liquidity profiles. The AIFM is also the alternative investment manager of the Franklin Upper Tier Fund.

6. **FEES AND CHARGES**

Current fees and charges payable by Shareholder			
Share Class	Sales Charge	Contingent Deferred Sales Charge (CDSC) (calculated by reference to the length of time the Shares have been held by the relevant investor)	Switching Fee (in respect of exchange of Shares of the Fund for shares or units of other investment funds offered by Templeton Asset Management Ltd)
<b>Class A</b>	Currently 3% (Maximum of 6.5%)	N.A.	1%
<b>Class AX</b>	Currently 3% (Maximum of 6.5%)	N.A.	1%

<b>Current fees and charges payable by Shareholder</b>				
<b>Class B</b>	N.A.	<u>Years since purchase</u>	<u>CDSC<sup>1</sup></u>	N.A.
		Less than one year	4.00%	
		Equal or more than one year but less than two years	3.00%	
		Equal or more than two years but less than three years	2.00%	
		Equal or more than three years but less than four years	1.00%	
		Equal or more than four years	0%	
<b>Class C</b>	N.A.	<u>Years since purchase</u>	<u>CDSC<sup>2</sup></u>	N.A.
		Less than one year	1.00%	
		Equal or more than one year	N.A.	
<b>Class N</b>	Currently 3% (Maximum of 3%)	N.A.		1%
<b>Class Z</b>	N.A.	N.A.		1%

<sup>1</sup> The CDSCs shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. To keep the CDSC as low as possible, each time a request to sell Class B Shares is placed, any Class B Shares in the Shareholder's account not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Class B Shares will be sold in the order they were purchased. The CDSCs shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor.

<sup>2</sup> The CDSCs shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. The CDSCs shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor.

<b>Current fees and charges payable by the Fund to the Investment Manager/Administrator/Depository/Distributor</b>	
AIFM Fee (payable to the AIFM)	Up to 0.26% per annum of the average daily Net Asset Value of the Fund
Investment Management Fee (payable to the Investment Manager)	Nil (Any commission received by the Investment Manager by virtue of an investment in the Master Fund will be paid into the assets of the Fund.)

<b>Current fees and charges payable by the Fund to the Investment Manager/Administrator/Depository/Distributor</b>		
Annual Investment Management Fee retained by Investment Manager:	62.64% to 100%	
Annual Investment Management Fee paid by Investment Manager to financial adviser or distributor (trailer fee)*:	0% to 37.36%	
Administration Fee (payable to the Administrator)	Up to 0.60% per annum of the average daily Net Asset Value of the Fund	
Depository Fee (payable to the Depository)	Up to 0.025% per annum of the average daily Net Asset Value of the Fund	
Shareholder Maintenance Fee (payable to the Distributor in respect of provision of services to investors on an on-going basis)	<u>Class</u>	<u>Maintenance Fee</u>
	Class A	Up to 0.30%
	Class AX	N.A.
	Class B	Up to 0.25%
	Class C	N.A.
	Class N	N.A.
	Class Z	N.A.
Distribution Fees (payable to the Distributor)	<u>Class</u>	<u>Distribution Fees</u>
	Class A	N.A.
	Class AX	Up to 0.50%
	Class B	Up to 1.05%
	Class C	Up to 1.10%
	Class N	Up to 1.00%
	Class Z	N.A.

\* Your financial adviser or distributor is required to disclose to you the amount of trailer fee it receives from the Investment Manager.

<b>Current fees and charges payable by the Fund to the Master Fund</b>	
Sales Charge	Nil
Early Withdrawal Charge	An early withdrawal charge of 1% of the Net Asset Value of the Common Shares of the Master Fund to be redeemed generally applies to the Common Shares of the Master Fund redeemed within twelve months of their date of issue. The Investment Adviser has agreed to waive any early withdrawal charge in relation to the Common Shares held by the Fund in the Master Fund.

<b>Fees Chargeable by the Master Fund</b>	
Through its ownership of the Common Shares of the Master Fund, the Fund indirectly bears its proportionate share of the following annual fund operating expenses of the Master Fund (as a percentage of net assets attributable to the Common Shares):	
Investment Management Fees (payable to the Investment Adviser)	0.53% of the average daily net assets up to US\$2.5 billion, 0.45% of the average daily net assets up to US\$6.5 billion, 0.43% of the average daily net assets up to US\$11.5 billion, 0.40% of the average daily net assets up to US\$16.5 billion, 0.39% of the average daily net assets up to US\$19 billion, 0.38% of the average daily net assets up to US\$21.5 billion and 0.37% of the average daily net assets over US\$21.5 billion.
Administration Fees (payable to the administrator of the Master Fund)	0.15% of the average daily net assets up to US\$200 million, 0.135% of the average daily net assets over US\$200 million up to US\$700 million, 0.10% of the average daily net assets over US\$700 million up to US\$1.2 billion and 0.075% of the average daily net assets over US\$1.2 billion. Under an agreement by the Administrator to waive all of its fees, the Master Fund pays no administration fees. The Administrator of the Master Fund may end this agreement at any time upon notice to the Master Fund's board of trustees.
Custodian Fees (payable to the custodian of the Master Fund)	0.001%
Other Expenses*	0.04%
Total Annual Fund Operating Expenses for the Master Fund (before waiver of the Investment Management Fees and the Administration Fees)	0.57%

\* Such other expenses may exceed 0.1% of the net asset value of the Master Fund.

<b>Current fees and charges payable by the Fund to the Franklin Upper Tier Fund</b>	
Entry Charge	Class A: Up to 6.50% Class I: Nil Class W: Nil Class X: Nil Class Y: Nil
CDSC	<u>Class A</u> Less than 18 months: Up to 1% Equal or more than 18 months: 0%

<b>Fees Chargeable by the Franklin Upper Tier Fund</b>	
Investment management fees (payable to the management company of the Franklin Upper Tier Fund)	0%
Administration fees	0%
Maintenance charges	N.A.
Depository fees (payable to the custodian of the Franklin Upper Tier Fund)	0.02% to 0.25% of the net asset value of its assets

Investors should note that subscriptions for Shares through any distributor appointed by the Fund may incur additional fees and charges. Investors are advised to check with the relevant distributor if such additional fees and charges are imposed by the distributor. The Singapore Representative may enter into fee sharing arrangements with the appointed distributors with respect to the Sales Charge, Investment Management Fee and Switching Fee.

## **7. RISK FACTORS**

### **7.1 General Risks**

Investment in the Fund carries with it a degree of risk including the risks described below. These investment risks are not purported to be exhaustive and potential investors should review this Singapore Prospectus carefully and consult with their professional advisers before making an application for Shares. It is important to keep in mind one of the main axioms of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse is also generally true: the lower the risk, the lower the potential reward. There can be no assurance that the Fund will achieve its investment objectives. The Net Asset Value of Shares may go down as well as up and you may not get back the money invested or the return on your investment.

### **7.2 Specific Risks**

By virtue of its investment in the Master Fund, the Fund is subject to the risks of the Master Fund, including but not limited to share currency designation risk, the risk of illiquid securities, credit risk, currency fluctuations risk, borrowing risk, political and economic risk, legal regulatory and operations risk, emerging markets risk, pricing risk, the risk of decline in Net Asset Value due to redemptions, portfolio management risk, possible indemnification obligations and risk in a change in the Master Fund's fundamental policies.

#### 7.2.1 Highly Leveraged Transactions

The corporate loans and corporate debt securities, in which the Master Fund invests primarily, consist of transactions such as re-financings, recapitalisations, mergers and acquisitions, and other financings for general corporate purposes. This means that a borrower has undertaken the obligations in order to finance the growth of the borrower's business through product development or marketing, or to finance changes in the way the borrower utilises its assets and invested or borrowed financial resources.

Corporate loans and corporate debt securities also may include senior obligations of a borrower issued in connection with a restructuring pursuant to Chapter 11 of the U.S. Bankruptcy Code, provided that such senior obligations are determined by the Investment Adviser of the Master Fund upon its credit analysis to be a suitable investment by the Master Fund.

A predominant portion of such corporate loans and corporate debt securities (which may be as much as 100% of the Master Fund's total assets) may be issued in leveraged or highly leveraged transactions. This means that the borrower is assuming large amounts of debt in order to have large amounts of financial resources to attempt to achieve its business objectives. Such business objectives may include: management's taking over control of a company (leveraged buyout); reorganising the assets and liabilities of a company (leveraged recapitalisation); or acquiring another company. Such corporate loans and corporate debt securities present special risks.

Such corporate loans may be structured to include both term loans, which are generally fully funded at the time of the Master Fund's investment, and revolving credit facilities, which would require the Master Fund to make additional investments in the corporate loans as required under the terms of the credit facility at the borrower's demand. Such corporate loans also may include receivables purchase facilities, which are similar to revolving credit facilities secured by a borrower's receivables.

#### 7.2.2 Derivative Risk

The Master Fund may enter into credit default swaps, including loan credit default swaps and interest rate swaps. The use of such derivative transactions may allow the Master Fund to obtain net long or net short exposures to selected interest rates, durations or credit risks. The Master Fund may use these interest rate or credit-related derivative transactions for the purposes of enhancing returns, increasing

liquidity, gaining exposure to particular instruments or interest rates in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates, credit risks and other market factors.

For credit default swaps, the “buyer” of the credit default swap agreement is obligated to pay the “seller” a periodic stream of payments over the term of the agreement in return for a payment by the “seller” that is contingent upon the occurrence of a credit event with respect to an underlying reference debt obligation. Generally, a credit event means bankruptcy, failure to timely pay interest or principal, obligation acceleration, or modified restructuring of the reference debt obligation. The contingent payment by the seller generally is the face amount of the debt obligation in exchange for the physical delivery of the reference debt obligation or a cash payment equal to the then current market value of that debt obligation. By way of example, the investment manager might “buy” credit default swaps to help protect against the risk of default by the issuer of one or more debt securities held by the Master Fund. Alternatively, the Master Fund may “sell” a credit default swap to gain exposure to an asset class more efficiently or less expensively than by purchasing the related debt security outright.

Interest rate swaps involve the exchange by the Master Fund with another party of their respective commitments or rights to pay or receive interest, such as an exchange of fixed rate payments for floating interest rate payments.

The risk of loss with respect to credit risk hedges is limited to the amount of periodic streams of payments over the term of the agreement. If the other party to a credit default swap defaults, the Master Fund’s risk of loss consists of the net payment of the face amount of the debt obligations. Similarly, the risk of loss with respect to interest rate hedges is limited to the net amount of interest payments that the Master Fund is obligated to make. If the other party to an interest rate swap defaults, the Master Fund’s risk of loss consists of the net amount of interest payments that the Master Fund is entitled to receive.

Please see the full risk factors set out under the heading “**RISK FACTORS**” in the Ireland Prospectus.

## **8. SUBSCRIPTION FOR SHARES**

### **8.1 Subscription Procedure**

The Fund or the Singapore Representative has the absolute discretion to accept or reject in whole or in part any application for Shares. Applications for Shares may be made on the relevant application forms accompanied by such documents as required by the Singapore Representative and subscription monies and submitted to the Singapore Representative or made through any appointed distributor, the Internet or any other sales channels, if applicable.



Applicants may pay for Shares with cash in the currency denomination of the relevant Class or base currency of the Fund (USD) (see Paragraph 2 of this Singapore Prospectus for details) or in such other currencies as may be accepted by the Singapore Representative.

Investors should note that subscription monies paid in a currency other than the base currency of the Fund will be converted to the base currency at the applicable exchange rate prior to such subscription monies being invested in the Fund, and the costs of such currency exchange, if any, will be borne by the investor. In respect of the Class A (dis) SGD-H1 Shares, applicants may pay for Shares with monies from their SRS monies or using cash.

Applications must be received by the Singapore Representative no later than 4.00 p.m. Singapore time on a Dealing Day. Subscription monies must be paid to the account specified below within five Singapore Business Days following the Dealing Day on which the application is received. If timely settlement is not made, an application may lapse and be cancelled. In such circumstances, the Fund and the Singapore Representative has the right to bring an action against the defaulting applicant to obtain compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. The Fund and the Singapore Representative reserve the right to cancel the provisional allotment of the relevant Shares in those circumstances. Shares will not be issued during any period when the issue and valuation of Shares has been suspended as provided in paragraph 12 of this Singapore Prospectus.

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. The Fund and the Singapore Representative on behalf of the Fund reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Fund and the Singapore Representative acting on behalf of the Fund, may refuse to accept the application and all subscription monies.

The Fund will not knowingly issue or approve the transfer of any Shares to any US Person (as defined under the heading “**IMPORTANT INFORMATION — Distribution and Selling Restrictions**” in the Ireland Prospectus) except in a transaction which does not contravene U.S. securities law. Each applicant for Shares will be required to provide such representations, warranties or documentation as may be required by the Fund to ensure that these requirements are met prior to the issue of Shares.

Although there is no statutory prohibition in Ireland on the purchase or holdings by persons resident in Ireland for Irish tax purposes of Shares in the Fund, the Fund imposes restrictions on the holding of Shares by such persons.

(a) Cash Subscription

For payments for cash subscriptions, investors should refer to the subscription application form for details on the acceptable modes of payment.

(b) Subscription through the Internet

The Shares may be offered to the public via the Internet subject to the relevant laws, regulations, practice directions and other requirements by the relevant authorities. By

making an electronic online application for the subscription or redemption of the Shares on or through the website of the Singapore Representative or its appointed distributor (as the case may be), or by an application form printed from such a website, the investor confirms:

- (i) that he has read a copy of the Singapore Prospectus;
  - (ii) that he is making the application for the subscription of the Shares while being present in Singapore; and
  - (iii) his permission to the appointed distributor to disclose relevant particulars of his account to the Fund, the Singapore Representative, the relevant authorities and any other person to whom the appointed distributor deems it necessary to give, divulge or reveal information about the investor's account for the purpose of an application for Shares via the Internet.
- (c) Purchase through the use of SRS monies

For purchases under the SRS scheme, investors must complete the relevant application form and send it to the Singapore Representative or its appointed distributors (as the case may be). The subscription monies will thereafter be obtained from an investor's account maintained with the relevant SRS Operator in respect of purchases using SRS monies. No transfer of Shares subscribed for using SRS monies is permitted.

During any period when the subscription or redemption of the Shares is suspended, the application for subscription or redemption of the Shares via Internet will either be suspended or not entertained. Any charges to be imposed by the Singapore Representative or the appointed distributor in connection with any application for subscription or redemption of Shares via the Internet will be borne by the investor.

## 8.2 Market Timing

The Fund 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 Fund or Administrator such trading may interfere with the efficient management of the 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.

Please refer to the heading “**SUBSCRIPTIONS AND REDEMPTIONS — Subscriptions**” in the Ireland Prospectus for details on market timing consequences, market timing through financial intermediaries, risks from market timers and revocation of market timing trades.

## 8.3 Minimum Initial Subscription and Minimum Subsequent Subscription Requirements

The minimum initial subscription and minimum subsequent subscription for all Classes of Shares are US\$1,000 and US\$500 respectively.

The Directors may from time to time waive or vary the minimum initial and subsequent subscription amounts for any Class of Shares.

#### 8.4 Dealing Deadline and Pricing Basis

As Shares are issued on a forward pricing basis, the subscription price per Share shall not be ascertainable at the time of application. In applying for Shares, applicants pay a fixed amount of money which will buy the applicant the number of Shares (including fractions) obtained from dividing the fixed amount of money (less any applicable sales charge) by the subscription price per Share when it has been ascertained later.

Under normal circumstances, all applications received by the Singapore Representative by 4.00 p.m. Singapore time (the “**Dealing Deadline**”) on a Dealing Day (as defined below) will be processed on the same Dealing Day at the subscription price per Share applicable for that Dealing Day.

A “**Dealing Day**” means each day which is both a New York Business Day and a Singapore Business Day, or otherwise as the Directors may from time to time determine.

A “**New York Business Day**” means a day on which the New York Stock Exchange (NYSE) is open for business, and/or such other business day or days as may be determined by the Directors.

A “**Singapore Business Day**” means a day (except Saturdays, Sundays and public holidays) on which commercial banks are open for business in Singapore.

All applications for Shares received after the Dealing Deadline on a Dealing Day or any time on a day that is not a Dealing Day will be processed on the next following Dealing Day at the subscription price per Share applicable for that Dealing Day.

The subscription price per Share applicable for a Dealing Day is the Net Asset Value per Share of the relevant Class calculated at the Valuation Point (as defined below).

A “**Valuation Point**” means the time as of which the Net Asset Value is determined, being 4.00 p.m. U.S. eastern standard time on each Dealing Day.

#### **Determination Of Net Asset Value Of The Fund**

The Net Asset Value of the Fund and the Net Asset Value per Share in the Fund shall be calculated by the Administrator to the nearest two decimal places in the base currency of the Fund. To the extent specified in this Prospectus, the Net Asset Value of the Fund, and the Net Asset Value per Share in the Fund, shall be calculated by the Administrator as of the Valuation Point on each Business Day in accordance with the valuation provisions summarised below.

The Net Asset Value of the Fund shall be calculated by ascertaining the value of the assets of the Fund and deducting from such amount the liabilities of the Fund, which shall include all fees and expenses payable, accrued and estimated to be payable out of the assets of the Fund.

The Net Asset Value per Share in respect of any class will be calculated by dividing the Net Asset Value of the Fund by the number of Shares of the relevant class in issue as of the relevant Valuation Point and making such adjustments thereto as are necessary to allocate

the relevant fees, charges and expenses to such class, and to take account of any distributions made out of such class.

The Investment Manager may hedge the foreign currency exposure of a Hedged Class into the base currency of the Fund in order that investors in that class receive a return in the currency of that class which is not materially affected by changes in value between the Class Currency and the base currency of the Fund. As foreign exchange hedging may be utilised for the benefit of a particular class, its cost and related liabilities and/or benefits 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 class. The currency exposures of the assets of the Fund will not be allocated to separate classes. Foreign exchange hedging shall not be used for speculative purposes. The periodic reports of the Fund will indicate how hedging transactions have been utilised.

The Net Asset Value per Share will be published on the Irish Stock Exchange on each Business Day and may be published in the Financial Times and in such other publication(s) or such electronic media, as the Directors may from time to time determine. Please refer to paragraph 11 of the Singapore Prospectus on “Obtaining Price Information”.

The Net Asset Value of the Fund is equal to the value of its holding in the Master Fund plus the Fund’s cash plus net income less expenses (which shall include fees payable by the Fund).

Shares in the Master Fund will be valued on the basis of the latest available repurchase price for Common Shares of the Master Fund.

Shares in collective investment schemes shall be valued on the basis of the latest available redemption price of such Shares after deduction of any redemption charges. If such prices are unavailable the Shares will be valued at their probable realisation value estimated with care and good faith by the AIFM in consultation with the Administrator or by an external valuer appointed for such purpose by the AIFM and approved for such purpose by the Depositary.

Cash deposits and similar assets shall be valued at their face value together with accrued interest unless in the opinion of the AIFM or an external valuer (in consultation with the Administrator and the Depositary) any adjustment should be made to reflect the fair value thereof.

Derivative instruments including swaps, interest rate futures contracts and other financial futures contracts which are traded on a Recognised Market shall be valued at the settlement price at the Valuation Point as determined by the relevant Recognised Market, provided that where it is not the practice of the relevant Recognised Market to quote a settlement price, or if a settlement price is not available for any reason, such instruments shall be valued at their probable realisation value estimated with care and good faith by the AIFM or an external valuer (who shall be approved for such purpose by the Depositary) in consultation with the Administrator. The value of forward foreign exchange contracts which are dealt in on a Recognised Market shall be calculated by reference to the price appearing to the AIFM or an external valuer to be the price at which a new forward contract of the same size, currency

and maturity as determined by the relevant Recognised Market could be effected as at the Valuation Point, provided that if such market price is not available for any reason, such value shall be calculated in such manner as the AIFM or an external valuer shall, in accordance with the Administrator, determine with the approval of the Depositary.

Notwithstanding the above provisions the AIFM or an external valuer, with prior notification to the Depositary (a) adjust the valuation of any listed investment or (b) permit some other method of valuation approved by the Depositary to be used if, having regard to currency, applicable rate of interest, maturity, marketability and/or such other considerations as they deem relevant, they consider that such adjustment or alternative method of valuation is required to reflect more fairly the value thereof.

In determining the Fund's Net Asset Value per Share, all assets and liabilities initially expressed in foreign currencies will be converted into the base currency of the Fund using the latest available exchange rates at the Valuation Point. If quotations are not available, the rate of exchange will be determined in accordance with policies established in good faith by the AIFM or an external valuer.

For more details, please refer to the heading “**SUBSCRIPTIONS AND REDEMPTIONS — Determination of Net Asset Value of the Company**” in the Ireland Prospectus for details on how the Net Asset Value is calculated.

#### 8.5 Numerical Examples of how Shares are Allotted

##### Class A / AX / N Shares

Based on an investment amount of US\$1,000.00 at the notional subscription price of US\$10.00^ per Class A / AX / N Share and a sales charge of 3.0%, the number of Shares issued will be calculated as follows:

e.g.	US\$1,000.00	–	US\$30.00	=	US\$970.00	÷	US\$10.00	=	97.000
	Investment amount		Sales charge of 3.0%		Net investment sum		Subscription price per Class A / AX / N Share (= Net Asset Value per Class A / AX / N Share)		Number of Class A / AX / N Shares issued

##### Class B / C / Z Shares

Based on an investment amount of US\$1,000.00 at the notional subscription price of US\$10.00^ per Class B / C / Z Share and no initial sales charge, the number of shares issued will be calculated as follows:

e.g.	US\$1,000.00	÷	US\$10.00	=	100.000
	Investment amount		Subscription price per Class B / C / Z Share (= Net Asset Value per Class B / C / Z Share)		Number of Class B / C / Z Shares issued

*^Investors should note that the actual subscription price will vary in line with the Net Asset Value per Share of the relevant Class. The above examples are for illustrative purposes only and are not a forecast or indication of any expectation of performance.*

## 8.6 Confirmation of Purchase of Shares

All Shares issued will be in registered form and written confirmation of ownership will be sent to Shareholders within ten Singapore Business Days of receipt and acceptance of the applications. Share certificates will not be issued unless the Directors otherwise determine. The number of Shares issued will be rounded to 3 decimal places, using conventional rounding to the nearest thousandths place and any surplus money will be credited to the Fund.

## 9. REDEMPTION OF SHARES

### 9.1 Redemption Procedure

Shareholders wishing to have all or any of their Shares redeemed should complete the relevant redemption form, together with such other documents as may be required by the Singapore Representative and submit it to the Singapore Representative or have their redemption requests made through any appointed distributor, the Internet or any other sales channels, if applicable.

The Singapore Representative may refuse any redemption requests if all relevant documents have not been submitted, if such redemption would result in non-compliance with the Minimum Holding requirement or in any other circumstances notified to the Shareholders.

Shareholders may redeem any or all of their Shares on any Dealing Day except when the redemption of Shares has been suspended as provided in paragraph 12 of this Singapore Prospectus.

If a Shareholder requests the redemption of a number of Shares equal to 5% or more of the Shares in issue or deemed to be in issue on any Dealing Day then the Directors may at their absolute discretion refuse to redeem such number of Shares held by the relevant Shareholder in excess of 5% of the Shares in issue on that Dealing Day as the Directors at their absolute discretion shall determine and, if they so refuse, the requests for redemption on such Dealing Day shall be reduced rateably and the Shares to which each request relates which are not redeemed by reason of such refusal shall be treated as if a request for redemption had been made in respect of each subsequent Dealing Day until all the Shares to which the original request related have been repurchased.

If the aggregate redemption requests on any Dealing Day equal or exceed 10% or more of the outstanding Shares in issue or deemed to be in issue, the Directors may elect to restrict

the total number of Shares to be redeemed to 10% of the outstanding Shares in issue on that Dealing Day, in which case all redemption requests will be reduced pro rata to the size of the request. The balance of the Shares in respect of which redemption requests have been received shall be redeemed on the next succeeding Dealing Day, subject to the same 10% restriction, and in priority to redemption requests received in respect of the next Dealing Day.

## 9.2 Minimum Holding Requirement

A Shareholder will not be entitled to redeem only part of his holding of Shares if due to such redemption, his holding would be reduced to less than the Minimum Holding requirement. A request for redemption which would result in a shareholding of less than the Minimum Holding requirement will be deemed a request for redemption of all the Shareholder's outstanding shareholdings. The Minimum Holding requirement for all Classes of Shares is US\$1,000.

## 9.3 Dealing Deadline and Pricing Basis

As Shares are sold on a forward pricing basis, the selling price per Share shall not be ascertainable at the time of submission of a redemption request.

Under normal circumstances, all requests for redemptions received by the Singapore Representative by the Dealing Deadline on a Dealing Day will be processed on the same Dealing Day at the redemption price per Share applicable for that Dealing Day.

All requests for redemptions received after the Dealing Deadline on a Dealing Day or any time on a day that is not a Dealing Day will be processed on the next following Dealing Day at the redemption price per share applicable for that Dealing Day.

The redemption price per Share applicable for a Dealing Day is the Net Asset Value per Share of the relevant Class calculated at the Valuation Point on that Dealing Day.

## 9.4 Numerical Example of Calculation of Redemption Proceeds

The following are illustrations of the redemption proceeds which a Shareholder will receive based on a redemption of 1,000.00 Shares with different holding periods and notional redemption prices of US\$11.00<sup>^</sup> and US\$9.00<sup>^</sup> respectively:

### Class A / AX / N / Z Shares

Assuming that the original subscription price of the Shares being redeemed was US\$10.00 and the Net Asset Value per Class A (dis) Share is US\$11.00<sup>^</sup> per Class A / AX / N / Z Share at the point of redemption:

e.g.	1,000.000	x	US\$11.00	=	US\$11,000.00
	Number of Class A / AX / N / Z Shares redeemed		Net Asset Value Per Class A / AX / N / Z Share		Net Redemption Proceeds

### Class B Shares

Assuming that the original issue price of the Class B Shares being redeemed was US\$10.00 and the net asset value per Class B Share is US\$11.00^ per Class B Share at the point of redemption:

e.g.	<u>Years since purchase</u>	<u>CDSC</u>	<u>CDSC Amount</u>	<u>Net redemption proceeds</u>
	Less than 1 year	4.00%	4.00% x 1,000 x US\$10.00 = US\$400.00	(1,000 x US\$11.00) – US\$400.00 = US\$10,600.00
	Equal or more than one year but less than two years	3.00%	3.00% x 1,000 x US\$10.00 = US\$300.00	(1,000 x US\$11.00) – US\$300.00 = US\$10,700.00
	Equal or more than two years but less than three years	2.00%	2.00% x 1,000 x US\$10.00 = US\$200.00	(1,000 x US\$11.00) – US\$200.00 = US\$10,800.00
	Equal or more than three years but less than four years	1.00%	1.00% x 1,000 x US\$10.00 = US\$100.00	(1,000 x US\$11.00) – US\$100.00 = US\$10,900.00
	Equal or more than four years	0%	US\$0.00	(1,000 x US\$11.00) = US\$11,000.00

Assuming that the original issue price of the Class B Shares being redeemed was US\$10.00 and the net asset value per Class B Share is US\$9.00^ per Class B Share at the point of redemption:

e.g.	<u>Years since purchase</u>	<u>CDSC</u>	<u>CDSC Amount</u>	<u>Net redemption proceeds</u>
	Less than 1 year	4.00%	4.00% x 1,000 x US\$9.00 = US\$360.00	(1,000 x US\$9.00) – US\$360.00 = US\$8,640.00
	Equal or more than one year but less than two years	3.00%	3.00% x 1,000 x US\$9.00 = US\$270.00	(1,000 x US\$9.00) – US\$270.00 = US\$8,730.00
	Equal or more than two years but less than three years	2.00%	2.00% x 1,000 x US\$9.00 = US\$180.00	(1,000 x US\$9.00) – US\$180.00 = US\$8,820.00
	Equal or more than three years but less than four years	1.00%	1.00% x 1,000 x US\$9.00 = US\$90.00	(1,000 x US\$9.00) – US\$90.00 = US\$8,910.00



Equal or more than four years	0%	US\$0.00	(1,000 x US\$9.00) = US\$9,000.00
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### Class C Shares

*Illustration 1: Investor requests for redemption of Class C Shares held for more than 12 months from date of purchase – no CDSC*

Assuming that the original issue price of the Class C Shares being redeemed was US\$10.00 and the net asset value per Class C Share is US\$11.00^ per Class C Share at the point of redemption:

e.g.	1,000.000	x	US\$11.00	=	US\$11,000.00
	Number of Class C Shares redeemed		Net asset value per Class C Share		Net redemption proceeds

*Illustration 2: Investor requests for redemption of Class C Shares held for less than 12 months from date of purchase – CDSC of 1% imposed. CDSC is based on the net asset value of the Class C Shares being redeemed or the cost of the Shares when purchased, whichever is less.*

Assuming that the original issue price of the Class C Shares being redeemed was US\$10.00 and the net asset value per Class C Share is US\$11.00^ per Class C Share at the point of redemption:

e.g.	1,000.000	x	US\$11.00	=	US\$11,000.00	-	US\$100.00	=	US\$10,900.00
	Number of Class C Shares redeemed		Net asset value per Class C Share		Gross redemption proceeds		CDSC = 1% x 1000 x US\$10.00 (i.e. the original issue price)		Net redemption proceeds

Assuming that the original issue price of the Class C Shares being redeemed was US\$10.00 and the net asset value per Class C Share is US\$9.00^ per Class C Share at the point of redemption:

e.g.	1,000.000	x	US\$9.00	=	US\$9,000.00	-	US\$90.00	=	US\$8,910.00
	Number of Class C Shares redeemed		Net asset value per Class C Share		Gross redemption proceeds		CDSC = 1% x 1000 x US\$9.00 (i.e. the redemption price)		Net redemption proceeds

*^Investors should note that the actual redemption price will vary in line with the Net Asset Value per Share of the relevant Class, which may be above or below the original subscription price. The above examples are for illustrative purposes only and are not a forecast or indication of any expectation of performance.*

#### 9.5 Payment of Redemption Proceeds

Redemption proceeds will be paid within seven Singapore Business Days of the Dealing Day of the receipt and acceptance of the redemption request by the Singapore Representative unless the redemption of Shares has been suspended in accordance with paragraph 12 of this Singapore Prospectus. The Company is not required to issue payment in respect of a redemption of Shares until it receives payment for the issuing of those Shares. All redemption proceeds in respect of Shares acquired using SRS monies will be refunded to the investor's SRS account.

### 10. EXCHANGE OF SHARES

Shareholders may, under certain circumstances, exchange Shares of the Fund for shares or units of certain other investment funds offered by Templeton Asset Management Ltd. Information on the investment funds into which Shares may be exchanged, and details of the procedure, terms and conditions for exchange may be obtained from Templeton Asset Management Ltd upon request.

### 11. OBTAINING PRICE INFORMATION

The indicative Net Asset Value and actual Net Asset Value of the Shares may be obtained from the Singapore Representative and will be published on the Singapore Representative's website ([www.franklintempleton.com.sg](http://www.franklintempleton.com.sg)) one Singapore Business Day after the relevant Dealing Day.

*The Company and the Singapore Representative cannot and do not accept any responsibility for any error or delay on the part of the relevant publisher in publication or for any non-publication of prices.*

### 12. SUSPENSION OF ISSUE, VALUATION AND REDEMPTION OF SHARES

The Directors may at any time, with the prior approval of the Depositary, temporarily suspend the issue, valuation, sale, purchase or redemption of Shares during:

- (a) any period when any organised exchange on which a substantial portion of the investments for the time being comprised in the Company are quoted, listed, traded or dealt in is closed otherwise than for ordinary holidays, or which dealings in any such organised exchange are restricted or suspended;
- (b) any period where, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Directors, the disposal or valuation of investments for the time being comprised in the Company cannot, in the opinion of the Directors, be effected or completed normally or without prejudicing the interest of Shareholders;

- (c) any breakdown in the means of communication normally employed in determining the value of any investments for the time being comprised in the Company or during any period when for any other reason the value of investments for the time being comprised in the Company cannot, in the opinion of the Directors, be promptly or accurately ascertained;
- (d) any period when the Company is unable to repatriate funds for the purposes of making redemption payments or during which the realisation of investments for the time being comprised in the Company, or the transfer or payment of the funds involved in connection therewith cannot, in the opinion of the Directors, be effected at normal prices;
- (e) any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the opinion of the Directors, have an adverse impact on the Company or the remaining Shareholders in that Company; or
- (f) any period when the Master Fund has suspended the continuous offering of Common Shares or suspended or postponed a repurchase of Common Shares.

Further details are set out under the heading “**MANDATORY REDEMPTION OF SHARES - Temporary Suspension of Dealings**” in the Ireland Prospectus.

### 13. PERFORMANCE OF THE FUND

#### 13.1 Past performance of the Fund (as of 28 February 2019)

Share Class / Benchmark	Inception Date	1 Year	3 Years (average annual compounded returns)	5 Years (average annual compounded returns)	10 Years (average annual compounded returns)	Since Inception (average annual compounded returns)
Class A (dis) Shares	15/10/2002	-1.36%	4.55%	1.88%	4.96%	3.10%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	5.17%
Class A (acc) Shares	27/02/2004	-1.37%	4.56%	1.87%	4.96%	2.77%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.65%
Class AX (dis) Shares	12/12/2000	-1.68%	4.35%	1.65%	4.74%	2.83%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.73%
Class A (dis) SGD-H1 Shares	27/02/2015	-2.18%	4.03%	N/A	N/A	1.78%

<b>Share Class / Benchmark</b>	<b>Inception Date</b>	<b>1 Year</b>	<b>3 Years  (average annual compounded returns)</b>	<b>5 Years  (average annual compounded returns)</b>	<b>10 Years  (average annual compounded returns)</b>	<b>Since Inception (average annual compounded returns)</b>
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.21%
Class A (dis) EUR-H1 Shares	27/02/2015	-3.96%	2.33%	N/A	N/A	0.13%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.21%
Class A (dis) RMB-H1 Shares	27/02/2015	-0.10%	6.74%	N/A	N/A	4.68%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.21%
Class B (dis) Shares	16/07/2001	-2.34%	4.21%	1.48%	4.23%	2.11%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.71%
Class C (dis) Shares	15/05/2000	0.75%	4.78%	1.66%	4.44%	2.57%
Credit Suisse Leveraged Loan Index		3.78%	6.83%	3.92%	8.06%	4.75%
Class N (dis) Shares	15/12/2004	-2.06%	-2.01%	3.84%	1.17%	4.23%
Credit Suisse Leveraged Loan Index		4.39%	3.78%	6.83%	3.92%	8.06%
Class N (acc) Shares	15/12/2004	-2.00%	-2.07%	3.82%	1.16%	4.23%
Credit Suisse Leveraged Loan Index		4.39%	3.78%	6.83%	3.92%	8.06%
Class Z (acc) Shares	26/02/2010	2.01%	1.97%	5.94%	2.79%	N/A
Credit Suisse Leveraged Loan Index		4.39%	3.78%	6.83%	3.92%	8.06%
Class Z (dis) Shares	08/12/2010	2.04%	1.98%	5.95%	2.82%	N/A
Credit Suisse Leveraged Loan Index		4.39%	3.78%	6.83%	3.92%	8.06%




Share Classes whose performance numbers are not set out in the above table do not have a 1-year track record.

*Notes:*

1. *Performance calculations of the Fund are based on Net Asset Value to Net Asset Value pricing which takes into account the 3% sales charge, and on the assumption that dividends are re-invested, in the underlying currency of the respective Classes.*
2. *Investors should note that the past performance of the Fund is not necessarily indicative of the future performance of the Fund.*

### 13.2 Expense Ratio and Turnover Ratio

The annual expense ratios of the Classes of Shares for the period from 1 August 2017 to 31 July 2018 are as follows:-

Share Class	Annual Expense Ratio
Class A (dis) Shares	1.19%
Class A (acc) Shares	1.18%
Class AX (dis) Shares	1.38%
Class A (dis) SGD-H1 Shares	1.19%
Class A (dis) EUR-H1 Shares	1.19%
Class A (dis) RMB-H1 Shares	1.19%
Class B (dis) Shares <sup>^</sup>	2.19%
Class C (dis) Shares	1.98%
Class C (acc) Shares	1.98%
Class N (dis) Shares	1.88%
Class N (acc) Shares	1.89%
Class Z (acc) Shares	0.89%
Class Z (dis) Shares	0.88%

<sup>^</sup> The Company discontinued the sale of Class B Shares with effect from 1 April 2016.

There is no turnover ratio for the Fund for the financial year ended 31 July 2018 as the Fund is a feeder fund that invests all or substantially all of its assets into the Master Fund. The turnover ratio of the Master Fund for the period from 1 August 2017 to 31 July 2018 is 49.97%.

*Notes:*

- The expense ratio is calculated in accordance with Investment Management Association of Singapore's (IMAS) guidelines on the disclosure of expense ratios and based on the Fund's latest audited accounts.*
- The following expenses are excluded from the calculation of the expense ratio:-*
  - brokerage and other transaction costs associated with the purchase and sales of investments (such as registrar charges and remittance fees);*
  - foreign exchange gains/losses of the Fund, whether realised or unrealised;*
  - front-end loads, backend loads and other costs arising on the purchase or sale of a foreign unit trust or mutual fund;*
  - tax deducted at source or arising out of income received including withholding tax;*
  - interest expense; and*
  - dividends and other distributions paid to Shareholders.*
- The turnover ratio is calculated based on the lesser of purchases or sales expressed as a percentage over average net asset value, i.e., average daily asset value, over the same period*

*used for calculation of the expense ratio. In accordance with the U.S. Securities and Exchange Commission methodology, short term purchases/sales have been excluded.*

#### **14. SOFT COMMISSIONS**

Whilst the Investment Manager currently does not engage in soft dollar transactions/commission for the Fund or the Master Fund, when appropriate under its discretionary authority and consistent with its duty to obtain best execution, the Investment Manager may direct brokerage transactions to brokers who provide the Investment Manager with research and brokerage products and services. The brokerage commissions that are used to acquire research in these types of arrangements are known as “soft dollars”. The Investment Manager uses soft dollars to acquire both proprietary and third party research.

The receipt of research in exchange for soft dollars benefits the Investment Manager by allowing the Investment Manager, at no cost to it, to supplement its own analyses and gain access to persons having special expertise on certain companies, industries, areas of economy and market factors. The Investment Manager also believes such research benefits clients. Research and brokerage services acquired with soft dollars may include reports and publications on the economy, industries, sectors and individual companies or issuers; statistical reports and information on the economy, issuers, trades; computer hardware and software related to research, trading and settlement processes; consulting services for developing research based hardware and software; trade quality analysis, accounting and tax law interpretations; political analyses; reports on legal development affecting portfolio securities; conferences and seminars with information on technical market actions, credit analysis; on-line quotation, trading and settlement systems; risk measurements; analyses of corporate responsibility issues; news services; portfolio modelling and portfolio compliance systems; and financial and market database services and proxy voting services.

#### **15. CONFLICTS OF INTEREST**

The potential conflicts of interest are set out under the heading “**GENERAL — Conflicts of Interest**” in the Ireland Prospectus.

#### **16. REPORTS**

##### **16.1 Financial Year End**

The financial year end of the Fund is 31 July.

##### **16.2 Annual Reports and Half-Yearly Reports**

An annual report of the Fund containing the audited annual accounts for the Fund in respect of the preceding financial year will be sent to Shareholders (whether by post or electronic means) within four months of the financial year end.

A half-yearly report containing unaudited half-yearly accounts for the Fund prepared up to 31 January in each year will be sent to Shareholders (whether by post or electronic means) within two months of the end of the relevant half-year.



Copies of the annual reports and half-yearly reports will also be available at the office of the Singapore Representative at 7 Temasek Boulevard, #38-03, Suntec Tower One, Singapore 038987 during normal Singapore business hours.

## **17. CERTAIN SINGAPORE TAX CONSIDERATIONS**

Investors should inform themselves of and, where appropriate, take advice on the taxes applicable to the subscription, holding and redemptions of Shares in the Fund, distributions or deemed distributions of the Fund, capital gains within the Fund, whether or not realised, income received or accrued or deemed received within the Fund etc. under the laws of the place of their operations, domicile, residence, citizenship or incorporation. Investors who are in doubt of their tax position should consult their own independent tax advisers.

## **18. QUERIES AND COMPLAINTS**

For any queries or complaints regarding the Fund, investors may contact the Singapore Representative at:

Address	:	7 Temasek Boulevard #38-03 Suntec Tower One Singapore 038987
Telephone	:	(65) 6337 3933
Fax	:	(65) 6332 2295
Email	:	<a href="mailto:cdsspr@franklintempleton.com">cdsspr@franklintempleton.com</a>

## **19. OTHER MATERIAL INFORMATION**

### **19.1 Dividend Policy**

Details of the dividend policy for the Fund are set out under the heading “**RISK FACTORS — Dividend Distribution Policy of the Company**” in the Ireland Prospectus.

### **19.2 Mandatory Redemption of Shares**

Details of the circumstances when the Fund may take steps to liquidate its holdings in the Master Fund with a view to compulsorily redeeming all outstanding Shares and when the Directors may compulsorily redeem the Shares of a Shareholder are set out under the heading “**MANDATORY REDEMPTION OF SHARES**” in the Ireland Prospectus.

### **19.3 Transfer of Shares**

Details of the conditions for, and restrictions on, the transfer of Shares are set out under the heading “**MANDATORY REDEMPTION OF SHARES — Transfer of Shares**” in the Ireland Prospectus.

#### 19.4 Automatic Conversion of Class B Shares

Investors should note that starting from January 2011, Class B Shares shall be automatically converted into Class A (dis) Shares on the monthly scheduled conversion date fixed by the transfer agent upon or following the expiry of 84 months after the date of their purchase.

#### 19.5 Financial Derivative Instruments (“**FDIs**”)

##### (a) Use of FDIs

The Fund invests up to 100% of its net asset value in shares of the Master Fund. The Master Fund may employ investment techniques and instruments for efficient portfolio management of the assets of the Master Fund including hedging against market movements, currency exchange or interest rate risks under the conditions and within the limits set out under the heading “**INVESTMENT TECHNIQUES**” in the Ireland Prospectus.

The Master Fund may enter into credit default swaps, including loan credit default swaps and interest rate swaps. The use of such derivative transactions may allow the Master Fund to obtain net long or net short exposures to selected interest rates, durations or credit risks. The Master Fund may use these interest rate or credit-related derivative transactions for the purposes of enhancing returns, increasing liquidity, gaining exposure to particular instruments or interest rates in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates, credit risks and other market factors. The Master Fund currently does not intend to enter into currency swaps.

For credit default swaps, the “buyer” of the credit default swap agreement is obligated to pay the “seller” a periodic stream of payments over the term of the agreement in return for a payment by the “seller” that is contingent upon the occurrence of a credit event with respect to an underlying reference debt obligation. Generally, a credit event means bankruptcy, failure to timely pay interest or principal, obligation acceleration, or modified restructuring of the reference debt obligation. The contingent payment by the seller generally is the face amount of the debt obligation in exchange for the physical delivery of the reference debt obligation or a cash payment equal to the then current market value of that debt obligation. By way of example, the investment manager might “buy” credit default swaps to help protect against the risk of default by the issuer of one or more debt securities held by the Master Fund. Alternatively, the Master Fund may “sell” a credit default swap to gain exposure to an asset class more efficiently or less expensively than by purchasing the related debt security outright.

Interest rate swaps involve the exchange by the Master Fund with another party of their respective commitments or rights to pay or receive interest, such as an exchange of fixed rate payments for floating interest rate payments.

Please refer to the sub-heading “**Use of Credit Default and Interest Rate**” under the heading “**INVESTMENT TECHNIQUES**” in the Ireland Prospectus for more information.

(b) Risks and Limits on use of FDIs

Interest rate and credit default swaps may be bought or sold by the Master Fund on a Recognised Market or off-exchange on an over-the-counter market (“**OTC Contracts**”). OTC Contracts are permitted under legislation subject to the following additional requirements (a) the OTC Contracts must not expose the Master Fund to risks which it could not otherwise assume (e.g., gain exposure to an instruments/issuers to which the Master Fund cannot have a direct exposure or subject the Master Fund to potential loss greater than that which it could obtain in the cash market); (b) the obligations of the Master Fund under the OTC Contracts must, at all times, be held in liquid assets or readily marketable securities; (c) the counterparty must have a credit rating of A2 (or equivalent) or better, or if unrated, have, in the opinion of the Investment Adviser of the Master Fund, an implied rating of A2 (or equivalent) or better. Alternatively, an unrated counterparty is acceptable if the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 (or equivalent) or better; (d) exposure to the counterparty (which must take account of all exposures which the Master Fund might have to the counterparty), must not exceed 10% of the Master Fund’s net asset value (or 30% of the Master Fund’s net asset value in the case of a Relevant Institution (as defined below)). Acceptable collateral, as described under “**Use of Repurchase Agreements/Reverse Repurchase Agreements**” in the Ireland Prospectus, may be provided by a counterparty in order to reduce the Master Fund’s exposure to that counterparty; (e) the Investment Adviser of the Master Fund must be satisfied that the counterparty has agreed to value the transaction at least weekly and to close out the transaction at its request at a fair value; and (f) the periodic reports of the Master Fund must provide information on the OTC Contracts entered into during the reporting period, the names of the counterparties and the resulting amount of commitments. The net maximum potential exposure created by such OTC Contracts, together with any other borrowings of the Master Fund shall not exceed 25% of the net assets of the Master Fund.

(c) Exposure to FDIs

The total exposure of the Master Fund, including but not limited to its exposure from the use of any derivative instruments, must not exceed the total net asset value of the Master Fund.

The Master Fund adopts the commitment approach in calculating its exposure to derivative instruments.

(d) Risk Management Process

The Company, the AIFM and the Investment Manager of the Fund will ensure that the risk management and compliance procedures and controls adopted are adequate and have been or will be implemented and that they have the necessary expertise to control and manage the risks relating to the use of financial derivatives.

19.6 Repurchase Transactions and Securities Lending

(a) Use of Repurchase Agreements/Reverse Repurchase Agreements

The Master Fund may enter into repurchase agreements with respect to its permitted investments. In a repurchase agreement transaction, the Master Fund purchases a U.S. government security from a bank or broker-dealer. The agreement provides that the bank or broker-dealer will repurchase the security at an agreed-upon price and date. The bank or broker-dealer must transfer to the Master Fund's account collateral consisting of securities with an initial value, including any earned but unpaid interest, equal to at least 102% of the dollar amount invested by the Master Fund in each repurchase agreement.

The Master Fund may enter into repurchase or reverse repurchase agreements (“**repo contracts**”) only in accordance with normal market practice and provided that collateral obtained under the repo contract is in the form of cash or liquid securities and satisfies the conditions set out under the sub-heading “**Use of Repurchase Agreements/Reverse Repurchase Agreements**” in the Ireland Prospectus.

The Master Fund may only enter into repo contracts with counterparties which have a minimum credit rating of A2 or equivalent or are deemed by the Master Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.

Risk

The Master Fund may engage in collateralised repurchase transactions / reverse repurchase agreements, where there is a risk that the counterparty defaults and the collateral received may be less than the cash placed out under the agreement, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit ratings of the issuers of the collateral, or the illiquidity of the market in which the collateral is traded. In addition, locking cash in transactions of excessive size or duration, delays in recovering cash placed out, or difficulty in getting access to collateral may restrict the ability of the Master Fund to meet sale requests, security purchases, or, more generally, reinvestment.

## Revenue

Any incremental income generated from repo contracts will be accrued to the Master Fund.

### (b) Lending of Portfolio Securities

The Master Fund may from time to time lend its portfolio securities to qualified securities dealers or other institutional investors. However, the Master Fund will limit such loans to a value of 33⅓% of the Master Fund's total assets, measured at the time of the most recent loan. This limitation is a fundamental policy, which means it may not be changed without the approval of the holders of a majority of the Common Shares.

The conditions applicable to the collateral obtained under securities lending agreements are identical to those in relation to repo contracts and are described under “**Use of Repurchase Agreements/Reverse Repurchase Agreements**” above.

The Master Fund may only enter into securities lending agreements with counterparties which have a minimum credit rating of A2 or equivalent or are deemed by the Master Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.

## Risk

In case of default, bankruptcy or insolvency of the borrower of securities lent by the Master Fund, there is a risk of delay in recovery of the securities (which may restrict the ability of the Master Fund to meet delivery obligations under security sales or payment obligations arising from sale requests) or even the risk of loss of rights to the collateral received, which risks are mitigated by a careful creditworthiness analysis of borrowers to determine their degree of risk of becoming involved in insolvency/bankruptcy proceedings within the timeframe contemplated by the loan.

## Conflicts of Interest

No conflicts of interest to note. The investment manager of the Master Fund does not intend to lend the securities of the Master Fund to its related corporations.

## Revenue

The Master Fund retains the revenue it generates as a result of the securities it lends.

## Securities Lending Agent

To the extent that the Master Fund engages in securities lending it may appoint a securities lending agent which may receive a fee in relation to its securities lending activities. Any such securities lending agent is not expected to be an affiliate of the

Depository of the Master Fund or Investment Adviser of the Master Fund. Any operational costs arising from such securities lending activities shall be borne by the securities lending agent out of its fee.

Please refer to the sub-headings “**Use of Repurchase Agreements/Reverse Repurchase Agreements**” and “**Lending of Portfolio Securities**” under the heading “**INVESTMENT TECHNIQUES**” in the Ireland Prospectus for more information.

#### 19.7 Risk Management Process and Liquidity Management

The AIFM employs a risk management process which enables it to monitor and measure at any time the risk of the positions of the Company.

The AIFM maintains a liquidity management process to monitor the liquidity risk of the Company, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions. The liquidity management systems and procedures allow the AIFM to apply various tools and arrangements necessary to ensure that the portfolio of the Company is sufficiently liquid to normally respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in the Ireland Prospectus.

Other arrangements may also be used in response to redemption requests, including the temporary suspension or deferral of such redemption requests in certain circumstances or use of similar arrangements which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out below under the "Temporary Suspension of Dealings" section in the Ireland Prospectus.

Upon the request of Shareholders, the AIFM will provide further details regarding the risk management process and liquidity management.

**APPENDIX**  
**INVESTMENT CONSIDERATIONS**

**Fundamental Investment Policies of the Master Fund**

The Master Fund has adopted the following restrictions as fundamental policies. As a matter of fundamental policy, the Master Fund may not:

1. Borrow money, except to the extent permitted by the 1940 Act, or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC.
2. Act as an underwriter except to the extent the Master Fund may be deemed to be an underwriter when disposing of securities it owns or when selling its own shares.
3. Make loans if, as a result, more than 33⅓% of its total assets would be lent to other persons, including other investment companies to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC. This limitation does not apply to (1) the lending of portfolio securities, (2) the purchase of debt securities, other debt instruments, loan participations and/or engaging in direct corporate loans in accordance with its investment goals and policies, and (3) repurchase agreements to the extent the entry into a repurchase agreement is deemed to be a loan.
4. Invest more than 25% of its net assets in securities of issuers in any one industry (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities or securities of other investment companies), except that, under normal market conditions, the Master Fund will invest more than 25% of its net assets in securities of companies operating in the industry group consisting of financial institutions and their holding companies, including commercial banks, thrift institutions, insurance companies and finance companies. For the purposes of this restriction, the Fund currently considers such companies to include the borrower, the agent bank and any intermediate participant.
5. Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Master Fund from (i) purchasing or selling securities or instruments secured by real estate or interests therein, securities or instruments representing interests in real estate or securities or instruments of issuers that invest, deal or otherwise engage in transactions in real estate or interests therein, and (ii) making, purchasing or selling real estate mortgage loans.
6. Purchase or sell physical commodities, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Master Fund from (i) engaging in transactions involving currencies and futures contracts and options thereon or (ii) investing in securities or other instruments that are secured by physical commodities.
7. Issue senior securities, except to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC.
8. Purchase the securities of any one issuer (other than the U.S. government or any of its agencies or instrumentalities or securities of other investment companies, whether registered

or excluded from registration under Section 3(c) of the 1940 Act) if immediately after such investment (a) more than 5% of the value of the Master Fund's total assets would be invested in such issuer or (b) more than 10% of the outstanding voting securities of such issuer would be owned by the Master Fund, except that up to 25% of the value of the Master Fund's total assets may be invested without regard to such 5% and 10% limitations.

If a percentage restriction is met at the time of investment, a later increase or decrease in the percentage due to a change in the value or liquidity of portfolio securities or the amount of assets will not be considered a violation of any of the foregoing restrictions, except that with respect to borrowing, if the borrowing exceeds the Master Fund's percentage restriction on borrowing, the Master Fund will reduce its borrowing within three days to no more than the percentage restriction.

Notwithstanding the investment restrictions above, for such time as the Master Fund remains authorised by the SFC, the Investment Adviser of the Master Fund, Franklin Advisers, Inc., may not obtain a rebate on any fees or charges levied by a collective investment scheme into which the Master Fund invests, or by the management company of such an underlying scheme.

Notwithstanding the Fundamental Investment Policies of the Master Fund outlined above, the Investment Adviser of the Master Fund has entered into a side letter to the effect that the investment objectives and policies of the Master Fund will be carried out in accordance with the following investment and borrowing restrictions:

- (a) The Master Fund may not invest more than 10% of its net assets in securities which are not listed, traded or dealt in on Recognised Markets.
- (b) Subject to (c) and (d) below, the Master Fund may not invest more than 10% of its net assets in all tranches of term loans and all other securities issued by a single issuer. Related companies/institutions are regarded as a single issuer for the purpose of this restriction.
- (c) The Master Fund may not maintain more than 10% of its net assets on deposit with any one institution. This limit is increased to 30% for deposits with, or securities evidencing deposits issued by, or securities guaranteed by; (i) an EU credit institution; (ii) a bank authorised in a member state of the European Free Trade Association (EFTA); (iii) a bank authorised by a signatory state (other than an EU Member State of EFTA) to the Basle Capital Convergence Agreement of July 1998 (Canada, Japan, United States); or (iv) the Custodian of the Master Fund or a bank which is an affiliate of the Custodian of the Master Fund. Related companies and institutions are regarded as a single issuer for the purposes of this restriction.
- (d) The Master Fund may invest up to 100% of its net assets in different securities issued or guaranteed by any EU member state or any local authority of an EU member state or by Australia, Canada, Japan, New Zealand, Norway, Switzerland and the United States of America or by any of the following public international bodies of which one or more EU member states are members: the European Investment Bank, the Asian Investment Bank, the World Bank, Euratom, the European Union, the European Bank for Reconstruction and Development; the International Finance Corporation, the International Bank for Reconstruction and Development and the Inter-American Development Bank. In such



circumstances the Master Fund must hold security from at least six different issues with securities from any one issue not exceeding 30% of its net asset value.

- (e) For so long as the Company and the Master Fund remain authorised by the SFC, the Master Fund may not own more than 10% of any class of security issued by any single issuer, unless the issuer is an open-ended collective investment scheme. For the purposes of the first sentence of this restriction, a single class of securities of an issuer includes all tranches of term loans and other loans issued by that issuer. The Master Fund may not invest more than 20% of its net assets in another open-ended collective investment scheme. Where investment is made into another collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made will waive the preliminary/initial charge which it is entitled to charge for its own account in relation to the acquisition of units. If a commission is received by the Investment Adviser of the Master Fund by virtue of an investment in the shares of another collective investment scheme and that other collective investment scheme is managed by a related company then this commission will be paid into the property of the Master Fund.
- (f) The Master Fund shall not make short sales of securities or trade securities not owned by it or for its account or otherwise maintain a short position.
- (g) The borrowings of the Master Fund may not exceed 25% of its net asset value. Repurchase agreements and securities lending agreements used for efficient portfolio management purposes shall not be regarded as “borrowing” for the purposes of this limitation, however, any potential exposure created by over-the-counter contracts entered into by the Master Fund shall be aggregated with any borrowings for the purposes of this limitation.
- (h) The Master Fund may not invest more than 5% of its net assets in warrants.
- (i) The Master Fund does not currently intend to invest more than 20% of its net assets in the debt obligations of issuers or obligors in any single industry. However, it is likely that more than 25% of its net assets will be invested in the securities of the following issuers as a group: commercial banks, thrift institutions, insurance companies and finance companies.

Notwithstanding the investment restrictions above, and for such time as they remain authorised by the SFC, the Company and the Master Fund:

- (a) Shall not write uncovered options.
- (b) Shall not write call options if the aggregate of the exercise price of all such call options written would exceed 25% of the Company’s or the Master Fund’s total net asset value.
- (c) May only enter into financial futures contracts on an unhedged basis where the net aggregate value of the contract prices, whether payable to or by the Company or the Master Fund (other than futures contracts entered into for hedging purposes), together with the aggregate value of physical commodities and commodity based investments held by the Company or the Master Fund, will not exceed 20% of the net asset value of the Company or the Master Fund.

- (d) Shall not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs) that are listed on a stock exchange).
- (e) Shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person other than as stated in this Prospectus or with the prior written consent of the custodian of the Company or of the Master Fund.
- (f) Shall not acquire an asset which involves the assumption of any liability which is unlimited.
- (g) Shall not invest in any security of any class in any company or body if any director or officer of the Company or the Master Fund individually owns more than 0.5% of the total amount of the total nominal amount of all the issued securities of that class, or collectively the directors and officer of the Company or the Master Fund own more than 5% of those securities.
- (h) Shall not apply any part of the Company or the Master Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call due to be made unless such call could be met in full out of cash or near cash forming part of the Company or the Master Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the directors or custodian respectively to apply any part of the Company or Master Fund in the acquisition of any other investment which is likely to involve the Company or the Master Fund in any liability (contingent or otherwise).
- (i) Shall not invest more than 10% of the Company's or the Master Fund's net asset value 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, including unrated sovereign issuers.

The above mentioned restrictions also apply to the Company in respect of its net assets, (in particular the borrowings of the Company may not exceed 10% of its net asset value) and the Company and the Master Fund will be deemed as a single entity for the purpose of complying with the restrictions.

For such time as it remains authorised by the SFC, the Master Fund will not invest in financial derivative instruments (including interest rate swaps, credit default swaps and currency swaps) for investment purposes (other than in accordance with Chapter 7 of the SFC's Code on Unit Trusts and Mutual Funds). The Master Fund may amend its policy with respect to investments in financial derivative instruments subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

The investment restrictions referred to above, excluding the restriction on borrowing, apply at the time of the purchase of the investments. If the limits set out above are exceeded for reasons beyond the control of the Master Fund, or as a result of the exercise of subscription rights, the Master Fund must adopt as a priority objective the remedying of that situation, taking due account of the interests of the Shareholders. For the avoidance of doubt the Master Fund will not take or seek to take legal or management control of the issuer of any of its underlying investments.

The above mentioned restrictions also apply to the Company in respect of its net assets, in particular the borrowings of the Company may not exceed 25% of its net asset value.

Provided always that not more than 20% of the value of the gross assets of the Company may be exposed to the creditworthiness or solvency of any one counterparty.

**FRANKLIN FLOATING RATE FUND PLC**  
**ESTABLISHED IN IRELAND**

**SINGAPORE PROSPECTUS**

Signed:

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Gregory E. McGowan  
Director

(Signed by Sean Chong  
for and on behalf of Gregory E. McGowan)

Signed:

---

Frank Ennis  
Director

(Signed by Sean Chong  
for and on behalf of Frank Ennis)

Signed:

---

David McGeough  
Director

(Signed by Sean Chong  
for and on behalf of David McGeough)

Signed:

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Hans Wisser  
Director

(Signed by Sean Chong  
for and on behalf of Hans Wisser)

Signed:

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Ken Lewis  
Director

(Signed by Sean Chong  
for and on behalf of Ken Lewis  
(Alternate Director to Gregory E. McGowan))

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# **FRANKLIN FLOATING RATE FUND PLC**

(an investment company with variable capital)

## **PROSPECTUS**

6 August 2018

### **AIFM**

**Franklin Templeton International Services S.à r.l.**

### **INVESTMENT MANAGER**

**Franklin Advisers, Inc.**

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## IMPORTANT INFORMATION

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### The Company

This Prospectus contains information relating to Franklin Floating Rate Fund plc (the “Company”). The Company is an investment company with variable capital incorporated in Ireland on 1 December 1999 as a public limited company under registration number 316174.

The directors of the Company (the “Directors”) whose names appear in the Directory section of this Prospectus accept responsibility for the information contained in this document. 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The Company features several classes of Shares which will rank pari passu with each other in all respects except as to all or any of the following:

- dividend policy;
- the level of fees and expenses to be charged;
- Class Currency designation; and
- the minimum subscription amount.

All Shares, other than Class A (dis) EUR-H1 Shares, Class A (dis) RMB-H1 Shares and Class A (dis) SGD-H1 Shares shall be designated in a Class Currency of U.S. Dollars. Class A (dis) EUR-H1 Shares shall be designated in Euro. Class A (dis) RMB-H1 Shares shall be designated in Renminbi. Class A (dis) SGD-H1 Shares shall be designated in Singapore Dollars.

As of the date of this Prospectus, the Company has the following share classes available:

- Class A (acc) Shares
- Class A (dis) Shares
- Class A (dis) EUR-H1 Shares
- Class A (dis) RMB-H1 Shares
- Class A (dis) SGD-H1 Shares
- Class AX Shares
- Class B Shares (no longer available for investment)
- Class C (dis) Shares
- Class C (acc) Shares
- Class N (acc) Shares
- Class N (dis) Shares
- Class Z (acc) Shares
- Class Z (dis) Shares

**An investment in the Company should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

### Investor Responsibility

Prospective investors should review this Prospectus carefully and in its entirety and consult with their legal, tax and financial advisers in relation to (i) the legal requirements within their own countries for the purchase, holding, exchange, redemption or disposal of Shares; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, exchange, redemption or disposal of Shares; and (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, exchanging, redeeming or disposing of Shares. Prospective investors should seek the advice of their legal, tax and financial advisers if they have any doubts regarding the contents of this Prospectus.

## **Central Bank Authorisation**

The Company is authorised by the Central Bank of Ireland (the "Central Bank") as a designated investment company pursuant to Section 1395 of Part 24 of the Act. The Central Bank shall not be liable by virtue of its authorisation of the Company or by reason of its exercise of the functions conferred on it by legislation in relation to the Company for any default of the Company. Authorisation of the Company by the Central Bank does not constitute a warranty by the Central Bank as to the creditworthiness or financial standing of the various parties to the scheme, nor is the Central Bank responsible for the contents of this Prospectus. Such authorisation does not constitute an endorsement or guarantee of the Company by the Central Bank.

The Company must comply with the aim of spreading investment risk in accordance with Section 1386(1)(a) of Part 24 of the Act.

## **Distribution and Selling Restrictions**

The distribution of this Prospectus and the offering or purchase of the Shares is restricted in certain jurisdictions and to certain persons. No persons receiving a copy of this Prospectus or the accompanying application form in any such jurisdiction may treat this Prospectus or such application form as constituting an invitation to them to subscribe for Shares, nor should they in any event use such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Prospectus does not constitute an offer 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 or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

Although there is no statutory prohibition in Ireland on the purchase or holding by persons resident in Ireland of Shares in the Company, for Irish tax purposes, the Company imposes restrictions on the holding of Shares by such persons.

The Company is not registered in the United States of America under the Investment Company Act of 1940 (the "1940 Act"). 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 nationals or 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. 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.

Shares in the Company may not be purchased by retail investors in the European Union and are also not marketed to professional investors in the European Union.

### **Stock Exchange Listing**

Class A (acc) Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 11 August 2004. Class A (dis) Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 2 May 2003. Class A (dis) EUR-H1 Shares, Class A (dis) RMB-H1 Shares, and Class A (dis) SGD-H1 Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 23 March 2015. Class AX Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 15 December 2000. Class B<sup>1</sup> Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 20 July 2001. Class C (dis) Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 22 May 2000. Class N (acc) Shares and Class N (dis) Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 4 February 2005. Class Z (acc) Shares and Class Z (dis) Shares were admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange on 1 March 2010 and 10 December 2010, respectively. The Directors do not anticipate that an active secondary market will develop in the Shares of the Company.

Neither the admission of the Shares to the Official List and to trading on the Main Securities Market nor the approval of the listing particulars pursuant to the listing requirements of the Irish Stock Exchange shall constitute a warranty or representation by the Irish Stock Exchange as to the competence of service providers to, or any party connected with, the Company, the adequacy of information contained in the listing particulars or the suitability of the Company for investment purposes.

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<sup>1</sup> Class B Shares are no longer available for investment.



## **Reliance on This Prospectus**

The Shares are offered only on the basis of the information contained in this Prospectus and the latest audited annual accounts and any subsequent half-yearly report of the Company.

Any further information or representation given or made by any dealer, broker or other person should be disregarded and accordingly, should not be relied upon. No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus in connection with the offering and issue of Shares in the Company and, if given or made such information or representations must not be relied upon as having been authorised by the Company or the Directors or by the Investment Manager. Neither the delivery of this Prospectus nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date of this Prospectus. Statements made in this Prospectus are based on the law and practice currently in force in Ireland and are subject to changes therein. This Prospectus should be read in its entirety before making an application for Shares.

Distribution of this Prospectus is not authorised after the publication of the first half-yearly report and accounts of the Company unless it is accompanied by a copy of such report and accounts and is not authorised after the publication of the first annual report and accounts of the Company unless it is accompanied by a copy of the latest annual report and accounts and, if published thereafter, the latest half-yearly report and accounts. Such reports shall form part of this Prospectus and all together shall constitute the Prospectus for the issue of Shares.

This Prospectus may be translated into other languages and such translations shall contain only and all of the same information as this Prospectus. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail and all disputes as to the terms thereof shall be governed by, and construed in accordance with, the law of Ireland, without regard to its principles of choice of law.

## **Risks**

**Investment in the Company carries with it a degree of risk. The value of Shares and the income from them may go down as well as up, and investors may not get back the amount invested. Investment in the Company should not constitute the sole or main investment of an investor's portfolio. Investors should consider the "Risk Factors" section in this Prospectus.**

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## DIRECTORY

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**The Company:**  
**Franklin Floating Rate Fund plc**

Registered Office:  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Board of Directors:**

Gregory E. McGowan  
Frank Ennis  
David McGeough  
Hans Wisser  
Ken Lewis (Alternate Director to Mr McGowan)

**AIFM:**

Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246  
Luxembourg

**Administrator/Secretary:**

J.P. Morgan Administration Services (Ireland)  
Limited  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Depository:**

J.P. Morgan Bank (Ireland) plc  
JPMorgan House  
International Financial Services Centre  
Dublin 1  
Ireland

**Distributor:**

Franklin Templeton International Services S.à r.l.  
8A rue Albert Borschette  
L-1246  
Luxembourg

**Registered Auditors:**

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

**Paying and Distribution Agent:**

SG Constellation One  
Inc. of 1221 Avenue of the Americas  
New York  
NY 10020  
USA

**Legal Advisers as to Irish Law:**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Sponsoring Listing Agent:**

Matheson  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Investment Manager:**

Franklin Advisers, Inc.  
One Franklin Parkway  
San Mateo  
CA 94403-1906  
USA

**Shareholder Services Agent**

Franklin Templeton International Services S.à r.l.  
8A rue Albert Borschette  
L-1246  
Luxembourg

**The Master Fund:**

**Franklin Floating Rate Master Trust**

Registered Office:  
Corporation Trust Company  
1209 Orange Street  
Wilmington  
Delaware 19801

**Trustees of the Master Fund:**

Harris J. Ashton  
Edith E. Holiday  
Gregory E. Johnson  
Rupert H. Johnson  
Michael Luttig  
Larry D. Thompson  
John B. Wilson

**Investment Adviser of the Master Fund:**

Franklin Advisers, Inc.  
One Franklin Parkway  
San Mateo  
CA 94403-1906  
USA

**Custodian of the Master Fund:**

The Bank of New York  
100 Church Street  
New York, NY 10286  
USA

**Registered Auditors of the Master Fund:**

PricewaterhouseCoopers LLP  
Three Embarcadero Center,  
San Francisco, 94111-4004,  
USA

**Administrator of the Master Fund:**

Franklin Templeton Services, LLC  
One Franklin Parkway  
San Mateo  
CA 94403–1906  
USA

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## DEFINITIONS

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In this Prospectus the following words and phrases have the meanings set forth below:

<b>“Act”</b>	means the Companies Act 2014 (as amended from time to time) and any and all applicable regulations made or conditions imposed or derogations granted by the Central Bank thereunder;
<b>“Accounting Date”</b>	means 31 July in each year or such other date as the Directors may from time to time determine;
<b>“Accounting Period(s)”</b>	means a financial year of the Company ending on an Accounting Date and being the period in respect of which the accounts of the Company to be laid before it in general meeting are made up and commencing on the date immediately succeeding the last day of the last financial year;
<b>“Administrator”</b>	means J.P. Morgan Administration Services (Ireland) Limited or such other company as may for the time being be appointed as administrator to the Company;
<b>“Articles”</b>	means the Articles of Association of the Company for the time being in force and as may be modified from time to time;
<b>“AIFM”</b>	means Franklin Templeton International Services S.à r.l. or such other entity as may for the time being be appointed as the alternative investment fund manager under AIFMD in relation to the Company;
<b>“AIFMD”</b>	means the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as amended;
<b>“AIFMD Regulations”</b>	means the European Communities (Alternative Investment Fund Managers Directive) Regulations (SI No 257 of 2013) as amended;
<b>“AIFM Agreement”</b>	means the agreement dated 17 July 2014, as amended and restated on 30 January 2015, between the Company and the AIFM, pursuant to which the AIFM was appointed alternative investment fund manager of the Company as may be amended from time to time;
<b>“Alternative Currency Class”</b>	means a share class in an alternative currency to the base currency of the Company;
<b>“Associate” or “Associates”</b>	means: <ul style="list-style-type: none"><li>(a) any bare trustee or nominee of a Shareholder or any person holding Shares on behalf of or to the order of a Shareholder or exercising voting rights at the request or direction of a Shareholder;</li><li>(b) any relative of a Shareholder;</li><li>(c) any person acting in his capacity as the trustee of any trust the principal beneficiaries of which are a Shareholder, any relative or partner of a Shareholder or any company, partnership, consortium or joint venture directly or indirectly managed or controlled by the Shareholder or by any relative or partner of the Shareholder or in which a Shareholder or any relative or partner of a Shareholder directly or indirectly holds, beneficially owns, controls or has an option over or is otherwise absolutely or conditionally entitled to more than</li></ul>

20% of the assets, revenues or voting rights;

- (d) any partner of a Shareholder;
- (e) any company, partnership, consortium, joint venture, trust, collective investment scheme or mutual fund directly or indirectly managed or controlled by a Shareholder or in which a Shareholder or any relative or partner of a Shareholder directly or indirectly holds, beneficially owns, controls or has an option over or is otherwise absolutely or conditionally entitled to more than 20% of the assets, revenues or voting rights;
- (f) any person or body of persons, company, partnership, consortium, joint venture, trust, collective investment scheme or mutual fund which directly or indirectly manages or controls a Shareholder or directly or indirectly holds, beneficially owns, controls, has an option over or is otherwise absolutely or conditionally entitled to more than 20% of the assets, revenues or voting rights of or in a Shareholder.

<b>“Auditors”</b>	means PricewaterhouseCoopers, Dublin or PricewaterhouseCoopers, San Francisco, CA or such other firm of chartered accountants as may from time to time be appointed as auditors to the Company;
<b>“Business Day”</b>	means a day on which the New York Stock Exchange (NYSE) is open for business and/or such other business day or days as may be determined by the Directors;
<b>“Central Bank”</b>	means the Central Bank of Ireland;
<b>“Class Currency”</b>	means, in relation to each class, the currency in which the Shares of such class are designated as specified herein;
<b>“Common Shares”</b>	means shares of beneficial interest in the Franklin Floating Rate Master Series of shares in the Master Fund;
<b>“Company”</b>	means Franklin Floating Rate Fund plc;
<b>“Dealing Day”</b>	means each Business Day or otherwise as the Directors may from time to time determine;
<b>“Dealing Deadline”</b>	means 4.00 pm U.S. eastern time or such other time as the Directors may from time to time determine on each Dealing Day;
<b>“Depository”</b>	means J.P. Morgan Bank (Ireland) plc or such other company in Ireland as may from time to time be appointed as depository of all the assets of the Company with the prior approval of the Central Bank;
<b>“Directors”</b>	means the directors of the Company for the time being and any duly constituted committee thereof;
<b>“Distributor”</b>	means Franklin Templeton International Services S.à r.l. or such other appointee as may be engaged by the AIFM (where a third party thereto) to act with respect to the distribution of the Shares of the Company;

<b>“EUR” or “Euro” or “€”</b>	means the single currency of participating member states of the European Monetary Union introduced on 1 January 1999;
<b>“FATCA”</b>	means the Foreign Account Tax Compliance Act;
<b>“FFI”</b>	means a Foreign Financial Institution as defined in FATCA;
<b>“Franklin Upper Tier Fund”</b>	means Franklin Upper Tier Floating Rate Fund, a sub-fund of Franklin Templeton Series II Funds into which the Company may invest as outlined in further detail below;
<b>“Hedged Classes”</b>	means Shares of other classes as may be designated by the Directors from time to time;
<b>“Investment Manager”</b>	means Franklin Advisers, Inc. or such other firm or company as may be appointed by the AIFM from time to time in relation to the Company;
<b>“Investor Services”</b>	means Franklin Templeton Investor Services LLC, the Master Fund’s shareholder servicing and transfer agent;
<b>“Irish Resident”</b>	means any company resident, or other person resident or ordinarily resident, in Ireland for the purposes of Irish tax (please see the “Taxation” section below for the summary of the concepts of residence and ordinary residence issued by the Irish Revenue Commissioners);
<b>“Irish Revenue Commissioners”</b>	means the Irish authority responsible for taxation;
<b>“Master Fund”</b>	means the Franklin Floating Rate Master Trust;
<b>“Net Asset Value” or “NAV”</b>	means the Net Asset Value of the Company calculated as described in this Prospectus;
<b>“Net Asset Value per Share”</b>	means the Net Asset Value per Share of each class of Shares calculated as described in this Prospectus;
<b>“Ordinary Resolution”</b>	means a resolution passed by a simple majority of the votes cast in its favour by Shareholders entitled to attend and vote at general meetings of the Company or on matters affecting the relevant Shares, as the case may be;
<b>“Prospectus”</b>	means this document and the Company’s most recent annual report and accounts (if issued) or, if more recent, its interim report and accounts;
<b>“Recognised Market”</b>	means with the exception of permitted investments in unlisted securities the Company will only invest in securities traded on a stock exchange or market which meets the regulatory criteria (regulated, operate regularly, be recognised and open to the public) and which is listed in the Prospectus.
	<b>“Stock Exchanges”</b> for the purposes of this definition means:
	(i) all stock exchanges in a Member State of the European Union;

- (ii) all stock exchanges in a Member State of the European Economic Area (EEA);
- (iii) a stock exchange located in any of the following countries:
  - Australia
  - Canada
  - Japan
  - Hong Kong
  - New Zealand
  - Switzerland
  - USA

**“Market”** for the purposes of this definition means:

- (i) the market organised by the International Capital Markets Association;
- (ii) the market conducted by the “listed money market institutions” as described in the Bank of England publication “The Regulation of the Wholesale Cash and OTC Derivatives Markets” (in sterling, foreign currency and bullion);
- (iii) AIM - the Alternative Investment Market in the UK, regulated and operated by the London Stock Exchange;
- (iv) the over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;
- (v) NASDAQ in the United States;
- (vi) the market in U.S. government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;
- (vii) the over-the-counter market in the United States conducted by primary and secondary dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the U.S. Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);
- (viii) the French market for “Titres de Creance Negotiable” (over-the-counter market in negotiable debt instruments);
- (ix) EASDAQ (European Association of Securities Dealers Automated Quotation); and
- (x) the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada.

**“RMB”** or **“¥”** or **“CNH”**

means Renminbi, the official currency of the People’s Republic of



China. To be read as a reference to onshore Renminbi (CNY) and/or offshore Renminbi (CNH) as the context requires;

<b>“Section 739B”</b>		means Section 739B of the TCA;
<b>“Shares”</b>		means shares of whatever class in the capital of the Company;
<b>“Shareholder”</b>		means a subscriber to the memorandum of association of the Company and every other person registered as a holder of Shares in the capital of the Company;
<b>“Shareholder Agent”</b>	<b>Services</b>	means Franklin Templeton International Services S.à r.l. or such other entity appointed by the Directors to assist in relation to the distribution of Shares of the Company;
<b>“SGD”</b>		means the Singapore Dollar, the currency of Singapore;
<b>“Special Resolution”</b>		means a resolution passed with the support of 75% or more of the votes cast in its favour by Shareholders entitled to attend and vote at general meetings of the Company or on matters effecting the relevant Shares as the case may be;
<b>“TCA”</b>		means the Taxes Consolidation Act 1997;
<b>“United States” or “US”</b>		means the United States of America (including its States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction; and
<b>“Valuation Point”</b>		means the time as of which the Net Asset Value is determined being 4.00 pm U.S. eastern standard time on each Dealing Day.

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## INVESTMENT CONSIDERATIONS

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### Investment Objective and Policy of the Company

The Company's investment goal is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Franklin Floating Rate Master Trust (the "Master Fund"). The investment objectives, policies and restrictions of the Master Fund are set out below. Any net assets not invested in the Master Fund will be retained in cash or invested in cash equivalents. The management and expenses of both the Company and the Master Fund are described under "Fees and Expenses". Through its ownership of Common Shares of the Master Fund, the Company indirectly bears its proportionate share of the Master Fund's expenses. There can be no assurance that the Company will achieve its investment objective. Investors should carefully assess the risks associated with an investment in the Company. See the section headed "**Risk Factors**".

The investment objective of the Company will not at any time be altered without the approval of an Ordinary Resolution of the Shareholders. Changes to investment policies which are material in nature may only be made with the approval of an Ordinary Resolution of the Shareholders. The Directors also note that where any of the investment restrictions are breached, the Company may be deemed unsuitable for listing and may be de-listed.

In the event of a change of investment objective and/or investment policy a reasonable notification period will be provided by the Company and the Company will provide facilities to enable Shareholders to redeem their Shares prior to implementation of these changes.

### Investment Objectives and Policies of the Master Fund

The Master Trust was organized as a Delaware statutory trust on 16 November 1999 and on 11 June 2002, the Master Trust's Board of Trustees voted to register the trust as an open-ended investment company which was approved by the shareholders on 26 June 2002. The Master Fund is registered with the SEC and is regulated as an investment company under the 1940 Act, as amended. Investors should be aware that the performance of the Company will be dependent on the performance of the Master Fund and that any decline in the net asset value of Common Shares held in the Master Fund will result in the subsequent decline of the Net Asset Value per Share.

The Master Fund's investment goal is to provide as high a level of current income and preservation of capital as is consistent with investment primarily in senior secured corporate loans and corporate debt securities with floating interest rates.

The debt obligations (U.S. government securities, U.S. government agency securities, money market instruments, corporate and commercial obligations and repurchase agreements) in which the Master Fund may invest (whether by way of subscription, acquisition, participation or investment) primarily consist of obligations traded on the over-the-counter market in the United States conducted by primary dealers and secondary dealers regulated by the SEC and NASD Regulation, Inc. and by banking institutions regulated by the U.S. Comptroller of Currency, the Federal Reserve System or Federal Deposit Insurance Corporation and, in particular, on the market organised by the Loan Syndications and Trading Association.

The Investment Adviser of the Master Fund performs its own independent credit analysis of each borrower, and of the collateral structure securing the Master Fund's investment. The Investment Adviser of the Master Fund generally will determine the value of the collateral backing the Master Fund's investment by customary valuation techniques that it considers appropriate, including reference to financial statements, independent appraisal, or obtaining the market value of collateral (e.g. cash or securities), if it is readily ascertainable. The Investment Adviser of the Master Fund also will consider the nature of the industry in which the borrower operates, the nature of the borrower's assets, and the general quality and creditworthiness of the borrower. The Investment Adviser of the Master Fund evaluates the credit quality of the Master Fund's investments on an ongoing basis. The value assigned to the collateral by the Investment Adviser of the Master Fund may be higher or lower than the value at which the borrower values the collateral on the borrower's books.

The Master Fund's floating rate investments will, in most instances, hold the most senior position in the capitalization structure of the company and be secured by specific collateral. Such senior position means that, in case the company becomes insolvent, the lenders or security holders in a senior position like the Master Fund will typically be paid before other creditors of the corporation from the assets of the company. When a company pledges specific collateral, it has agreed to deliver, or has actually delivered, to the lenders or security holders assets it owns that will legally become the property of the lenders or security holders in case the company defaults in paying interest or principal.

The Master Fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in corporate loans and corporate debt securities that are made to, or issued by, borrowers that are U.S. companies, non-U.S. borrowers and U.S. subsidiaries of non-U.S. borrowers and that have floating interest rates (floating interest rate loans and securities). Shareholders in the Master Fund will be given sixty days advance notice of any change in this 80% policy. Certain of the Master Fund's floating interest rate investments may permit the borrower to select an interest rate reset period of up to one year. A portion of the Master Fund's investments may consist of loans with interest rates that are fixed for the term of the loan. Investment with longer interest rate reset periods or fixed interest rates may increase fluctuations in the Master Fund's share price as a result of changes in interest rates. Fixed rate corporate loans and debt securities that are converted from fixed rate investments to floating rate investments through interest rate swaps or other derivative transactions will be considered to be floating interest rate loans and securities for purposes of the Master Fund's policy of normally investing at least 80% of its net assets in income-producing floating interest rate corporate loans and corporate debt securities made to or issued by U.S. companies, non-U.S. entities and U.S. subsidiaries of non-U.S. entities. Some of the Master Fund's floating interest rate loans and securities may have the additional feature of converting into a fixed rate instrument after certain periods of time or under certain circumstances. Upon conversion of any such floating interest rate loans and securities to fixed rate instruments, the Investment Adviser of the Master Fund will rebalance the Master Fund's investments, if needed, to meet the 80% level described above, as promptly as is reasonable. Generally, corporate loans and corporate debt securities require that the borrower or issuer comply with various restrictive covenants that accompany the loan or security although some available in the market from time to time are 'covenant lite' in that they contain fewer or no restrictive covenants.

The debt obligations may be structured to require the Master Fund to contribute additional capital to the corporate issuer or obligor. If the Master Fund's future obligations are not met for any reason, including the failure of an intermediate participant to fulfil its obligations, the Master Fund's interests may be harmed. The possible exposure of the Master Fund resulting from these requirements will be aggregated to ensure that prior to becoming subject to a requirement to contribute additional capital to such corporate issuer or obligor, the Master Fund will be satisfied the requirements will not result in a breach of its investment restrictions.

The Master Fund normally invests primarily in corporate loans or securities of U.S. entities, but may invest up to 65% of its assets in corporate loans or corporate debt securities of entities in developed countries other than the U.S. The Master Fund may from time to time invest in corporate debt securities of entities in emerging market countries, but currently does not intend to invest more than 35% of its assets in emerging market countries. The Master Fund considers a country to be an emerging market country if it is defined as a country with an emerging or developing economy by any one or more of the following: the International Bank for Reconstruction and Development (commonly known as the World Bank), the International Finance Corporation, or the United Nations or its agencies or authorities.

The Master Fund currently invests predominately in corporate loans or corporate debt securities that are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars. For the purposes of pursuing its investment goals, the Master Fund may enter into interest rate and credit-related transactions involving certain derivative instruments, including interest rate and credit default swaps (including loan and high yield credit default swaps) or other derivative transactions. The Master Fund may use such interest rate or credit-related derivative transactions to hedge risks relating to changes in interest rates, credit risks and other market factors. The Master Fund may also use interest rate or credit-related derivative transactions for the purposes of enhancing Fund returns, increasing liquidity,

and/or gaining exposure to particular instruments or interest rates in more efficient or less expensive ways.

When the Investment Adviser of the Master Fund believes market or economic conditions are unfavourable for investors (for example in times of market failure), the Investment Adviser of the Master Fund may invest up to 100% of the Master Fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include money market fund shares (including shares of an affiliated money market fund), U.S. government securities, high-grade commercial paper, bank obligations, repurchase agreements and other money market instruments. The Investment Adviser of the Master Fund also may invest in these types of securities or hold cash while looking for suitable investment opportunities, to maintain liquidity or to segregate on the Franklin Floating Rate Master Series' books in connection with its derivative strategies. In these circumstances, the Master Fund may be unable to achieve its investment goals.

In addition to the Master Fund's main investments, the Master Fund may, under normal conditions hold ancillary liquid assets and invest up to 20% of its net assets in certain other types of short term debt securities and obligations including unsecured debt obligations, U.S. government securities, U.S. government agency securities (some of which may not be backed by the full faith and credit of the United States), bank money market instruments (such as certificates of deposit), bankers acceptances and corporate and commercial obligations (such as commercial paper and medium-term notes) and for efficient portfolio management purposes re-purchase agreements. These short-term debt securities or obligations will not exceed 20% of the Master Fund's total assets except (i) during interim periods pending investment of the net proceeds of Common Share sales; (ii) pending reinvestment of proceeds of the sale of debt obligations of the Master Fund; and (iii) during temporary defence periods when, in the opinion of the Investment Adviser of the Master Fund, suitable senior secured debt obligations are not available or prevailing market or economic conditions warrant.

Floating interest rate loans and securities are generally credit-rated less than investment grade and may be subject to restrictions on resale. The Master Fund may invest up to 100% of its portfolio in floating interest rate loans and securities that may be high yield, high risk, debt securities and are rated less than investment grade (i.e., less than BBB, sometimes called junk bonds, or unrated). Under normal conditions, the Master Fund invests at least 65% of its total assets in floating interest rate loans and securities that are rated B or higher by a nationally recognised statistical rating organization ("NRSRO") or, if unrated, are determined to be of comparable quality by the Investment Adviser of the Master Fund. Under normal conditions, the Master Fund may invest up to 35% of its total assets in floating interest rate loans and securities that are rated below B by an NRSRO or, if unrated, are determined to be of comparable quality by the Investment Manager.

The Master Fund has no restrictions on portfolio maturity. The Master Fund anticipates, however, that a majority of its investments will have stated maturities ranging from three to seven years. This means that the borrower is required to fully repay the obligation within that time period. The Master Fund also anticipates that its investments will generally have an expected average life of five years or less. The expected average life of most floating rate investments is less than their stated maturities because the borrowers may choose to pay off such obligations early. Such obligations usually permit the borrower to elect to prepay. Also, prepayment is likely because such corporate obligations generally provide that the lenders will have priority in prepayment in case of sales of assets of the borrowers, or from excess cash flow.

To a limited extent, the Master Fund may also acquire warrants and equities securities traded on Recognised Markets in connection with or incidental to the Master Fund's investment activities. A warrant is a security that gives the holder the right, but not the obligation, to subscribe for newly created securities of the issuer or a related company at a fixed price either at a certain date or during the set period.

The Master Fund may invest up to 5% of its net assets in other investment companies, including closed-end funds and exchange traded funds (ETFs) to the extent permitted by the 1940 Act, U.S. Securities and Exchange Commission ("SEC") rules thereunder and exemptions thereto. With respect to unaffiliated funds in which the Master Fund may invest, Section 12(d)(1)(A) of the 1940 Act requires that, as determined immediately after a purchase is made, (i) not more than 5% of the value of the

Master Fund's total assets will be invested in the securities of any one investment company, (ii) not more than 10% of the value of the Master Fund's total assets will be invested in securities of investment companies as a group, and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the Master Fund. The Master Fund will limit its investments in unaffiliated funds in accordance with the 1940 Act Section 12(d)(1)(A) limitations set forth above, except to the extent that any rules, regulations or no-action or exemptive relief under the 1940 Act permits the Master Fund's investments to exceed such limits in unaffiliated underlying funds. There will be no change to the Master Fund's own fees as a result of its investment in other investment companies, but to the extent that the Master Fund invests in another investment company, because other investment companies pay advisory, administrative and service fees that are borne indirectly by investors, such as the Master Fund, there may be duplication of investment management and other fees. The Master Fund may also invest its cash balances in affiliated money market funds to the extent permitted by its investment policies and rules and exemptions granted under the 1940 Act.

Changes to investment policies which are not fundamental, and which are not material in nature, may be made with the approval of the Board of the Master Fund.

### **Fundamental Investment Policies of the Master Fund**

The Master Fund has adopted the following restrictions as fundamental policies. As a matter of fundamental policy, the Master Fund may not:

1. Borrow money, except to the extent permitted by the 1940 Act, or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC.
2. Act as an underwriter except to the extent the Master Fund may be deemed to be an underwriter when disposing of securities it owns or when selling its own shares.
3. Make loans if, as a result, more than 33⅓% of its total assets would be lent to other persons, including other investment companies to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC. This limitation does not apply to (1) the lending of portfolio securities, (2) the purchase of debt securities, other debt instruments, loan participations and/or engaging in direct corporate loans in accordance with its investment goals and policies, and (3) repurchase agreements to the extent the entry into a repurchase agreement is deemed to be a loan.
4. Invest more than 25% of its net assets in securities of issuers in any one industry (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities or securities of other investment companies), except that, under normal market conditions, the Master Fund will invest more than 25% of its net assets in securities of companies operating in the industry group consisting of financial institutions and their holding companies, including commercial banks, thrift institutions, insurance companies and finance companies. For the purposes of this restriction, the Fund currently considers such companies to include the borrower, the agent bank and any intermediate participant.
5. Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Master Fund from (i) purchasing or selling securities or instruments secured by real estate or interests therein, securities or instruments representing interests in real estate or securities or instruments of issuers that invest, deal or otherwise engage in transactions in real estate or interests therein, and (ii) making, purchasing or selling real estate mortgage loans.
6. Purchase or sell physical commodities, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Master Fund from (i) engaging in transactions involving currencies and futures contracts and options thereon or (ii) investing in securities or other instruments that are secured by physical commodities.
7. Issue senior securities, except to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC.

8. Purchase the securities of any one issuer (other than the U.S. government or any of its agencies or instrumentalities or securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act) if immediately after such investment (a) more than 5% of the value of the Master Fund's total assets would be invested in such issuer or (b) more than 10% of the outstanding voting securities of such issuer would be owned by the Master Fund, except that up to 25% of the value of the Master Fund's total assets may be invested without regard to such 5% and 10% limitations.

If a percentage restriction is met at the time of investment, a later increase or decrease in the percentage due to a change in the value or liquidity of portfolio securities or the amount of assets will not be considered a violation of any of the foregoing restrictions, except that with respect to borrowing, if the borrowing exceeds the Master Fund's percentage restriction on borrowing, the Master Fund will reduce its borrowing within three days to no more than the percentage restriction.

Notwithstanding the investment restrictions above, for such time as the Master Fund remains authorised by the SFC, the Investment Adviser of the Master Fund, Franklin Advisers, Inc., may not obtain a rebate on any fees or charges levied by a collective investment scheme into which the Master Fund invests, or by the management company of such an underlying scheme.

Notwithstanding the Fundamental Investment Policies of the Master Fund outlined above, the Investment Adviser of the Master Fund has entered into a side letter to the effect that the investment objectives and policies of the Master Fund will be carried out in accordance with the following investment and borrowing restrictions:

- (a) The Master Fund may not invest more than 10% of its net assets in securities which are not listed, traded or dealt in on Recognised Markets.
- (b) Subject to (c) and (d) below, the Master Fund may not invest more than 10% of its net assets in all tranches of term loans and all other securities issued by a single issuer. Related companies/institutions are regarded as a single issuer for the purpose of this restriction.
- (c) The Master Fund may not maintain more than 10% of its net assets on deposit with any one institution. This limit is increased to 30% for deposits with, or securities evidencing deposits issued by, or securities guaranteed by; (i) an EU credit institution; (ii) a bank authorised in a member state of the European Free Trade Association (EFTA); (iii) a bank authorised by a signatory state (other than an EU Member State of EFTA) to the Basle Capital Convergence Agreement of July 1998 (Canada, Japan, United States); or (iv) the Custodian of the Master Fund or a bank which is an affiliate of the Custodian of the Master Fund. Related companies and institutions are regarded as a single issuer for the purposes of this restriction.
- (d) The Master Fund may invest up to 100% of its net assets in different securities issued or guaranteed by any EU member state or any local authority of an EU member state or by Australia, Canada, Japan, New Zealand, Norway, Switzerland and the United States of America or by any of the following public international bodies of which one or more EU member states are members: the European Investment Bank, the Asian Investment Bank, the World Bank, Euratom, the European Union, the European Bank for Reconstruction and Development; the International Finance Corporation, the International Bank for Reconstruction and Development and the Inter-American Development Bank. In such circumstances the Master Fund must hold security from at least six different issues with securities from any one issue not exceeding 30% of its net asset value.
- (e) For so long as the Company and the Master Fund remain authorised by the SFC, the Master Fund may not own more than 10% of any class of security issued by any single issuer, unless the issuer is an open-ended collective investment scheme. For the purposes of the first sentence of this restriction, a single class of securities of an issuer includes all tranches of term loans and other loans issued by that issuer. The Master Fund may not invest more than 20% of its net assets in another open-ended collective investment scheme. Where investment is made into another collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made will waive the preliminary/initial charge which it is entitled to charge

for its own account in relation to the acquisition of units. If a commission is received by the Investment Adviser of the Master Fund by virtue of an investment in the shares of another collective investment scheme and that other collective investment scheme is managed by a related company then this commission will be paid into the property of the Master Fund.

- (f) The Master Fund shall not make short sales of securities or trade securities not owned by it or for its account or otherwise maintain a short position.
- (g) The borrowings of the Master Fund may not exceed 25% of its net asset value. Repurchase agreements and securities lending agreements used for efficient portfolio management purposes shall not be regarded as "borrowing" for the purposes of this limitation, however, any potential exposure created by over-the-counter contracts entered into by the Master Fund shall be aggregated with any borrowings for the purposes of this limitation.
- (h) The Master Fund may not invest more than 5% of its net assets in warrants.
- (i) The Master Fund does not currently intend to invest more than 20% of its net assets in the debt obligations of issuers or obligors in any single industry. However, it is likely that more than 25% of its net assets will be invested in the securities of the following issuers as a group: commercial banks, thrift institutions, insurance companies and finance companies.

Notwithstanding the investment restrictions above, and for such time as they remain authorised by the SFC, the Company and the Master Fund:

- (a) Shall not write uncovered options.
- (b) Shall not write call options if the aggregate of the exercise price of all such call options written would exceed 25% of the Company's or the Master Fund's total net asset value.
- (c) May only enter into financial futures contracts on an unhedged basis where the net aggregate value of the contract prices, whether payable to or by the Company or the Master Fund (other than futures contracts entered into for hedging purposes), together with the aggregate value of physical commodities and commodity based investments held by the Company or the Master Fund, will not exceed 20% of the net asset value of the Company or the Master Fund.
- (d) Shall not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs) that are listed on a stock exchange).
- (e) Shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person other than as stated in this Prospectus or with the prior written consent of the custodian of the Company or of the Master Fund.
- (f) Shall not acquire an asset which involves the assumption of any liability which is unlimited.
- (g) Shall not invest in any security of any class in any company or body if any director or officer of the Company or the Master Fund individually owns more than 0.5% of the total amount of the total nominal amount of all the issued securities of that class, or collectively the directors and officer of the Company or the Master Fund own more than 5% of those securities.
- (h) Shall not apply any part of the Company or the Master Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call due to be made unless such call could be met in full out of cash or near cash forming part of the Company or the Master Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the directors or custodian respectively to apply any part of the Company or Master Fund in the acquisition of any other investment which is likely to involve the Company or the Master Fund in any liability (contingent or otherwise).

- (i) Shall not invest more than 10% of the Company's or the Master Fund's net asset value 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, including unrated sovereign issuers.

The above mentioned restrictions also apply to the Company in respect of its net assets, (in particular the borrowings of the Company may not exceed 10% of its net asset value) and the Company and the Master Fund will be deemed as a single entity for the purpose of complying with the restrictions.

For such time as it remains authorised by the SFC, the Master Fund will not invest in financial derivative instruments (including interest rate swaps, credit default swaps and currency swaps) for investment purposes (other than in accordance with Chapter 7 of the SFC's Code on Unit Trusts and Mutual Funds). The Master Fund may amend its policy with respect to investments in financial derivative instruments subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

The investment restrictions referred to above, excluding the restriction on borrowing, apply at the time of the purchase of the investments. If the limits set out above are exceeded for reasons beyond the control of the Master Fund, or as a result of the exercise of subscription rights, the Master Fund must adopt as a priority objective the remedying of that situation, taking due account of the interests of the Shareholders. For the avoidance of doubt the Master Fund will not take or seek to take legal or management control of the issuer of any of its underlying investments.

The above mentioned restrictions also apply to the Company in respect of its net assets, in particular the borrowings of the Company may not exceed 25% of its net asset value.

Provided always that not more than 20% of the value of the gross assets of the Company may be exposed to the creditworthiness or solvency of any one counterparty.

#### **Investment in the Franklin Upper Tier Fund**

The Company may also invest up to 10% of its net assets in the Franklin Upper Tier Fund. Franklin Upper Tier Fund is a sub-fund of Franklin Templeton Series II Funds ("FTSIIF") which 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").

FTSIIF is registered on the official list of undertakings for collective investment pursuant to Part II 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") and qualifies as an alternative investment fund within the meaning of article 1(39) of the Law of 12 July 2013.

The Franklin Upper Tier Fund's investment objective is to provide investors with a high level of current income and preservation of capital while outperforming the JP Morgan Leveraged Loan, BB sub-Index over 3-year rolling periods.

The Franklin Upper Tier Fund seeks to achieve its investment objective by investing not less than 85% of its net assets in a diversified portfolio of floating-rate first lien senior secured institutional syndicated bank loans primarily issued by non-financial U.S., Luxembourg and Developed Market (MSCI definition of Developed Market) entities and corporations (including investment grade bank loans up to 10% in aggregate of the fund's net assets), and in collateralized loan obligations.

The Franklin Upper Tier Fund will not employ leverage. The Company and the Franklin Upper Tier Fund have similar risk and liquidity profiles. The AIFM is also the alternative investment manager of the Franklin Upper Tier Fund.

The investment management and the administration fees of the Franklin Upper Tier Fund are 0%.



The Franklin Upper Tier Fund will however bear its pro-rata share of any other applicable expenses such as custodian, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses. The custody fee in respect of FTSIF ranges from 0.02% to 0.25% of the net asset value of its assets.

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## INVESTMENT TECHNIQUES

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### **Investment Techniques of the Master Fund**

The Master Fund may employ investment techniques and instruments for efficient portfolio management of the assets of the Master Fund including hedging against market movements, currency exchange or interest rate risks under the conditions and within the limits stipulated by legislation and described below. The Master Fund may not engage in leverage through the use of derivative instruments, i.e. the total exposure of the Master Fund, including but not limited to, its exposure from the use of any derivative instruments, must not exceed the total net asset value of the Master Fund.

Any revenues from efficient portfolio management techniques not received directly by the Master Fund, net of direct and indirect operational costs and fees (which do not include hidden revenue), will be returned to the Master Fund.

### **Use of Credit Default and Interest Rate Swaps**

The Master Fund may enter into credit default swaps, including loan credit default swaps and interest rate swaps. The use of such derivative transactions may allow the Master Fund to obtain net long or net short exposures to selected interest rates, durations or credit risks. The Master Fund may use these interest rate or credit-related derivative transactions for the purposes of enhancing returns, increasing liquidity, gaining exposure to particular instruments or interest rates in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates, credit risks and other market factors. The Master Fund currently does not intend to enter into currency swaps.

Swap agreements, such as interest rate and credit default swaps, are contracts between the Master Fund and, typically, a brokerage firm, bank, or other financial institution (the swap counterparty) for periods ranging from a few days to multiple years. In a basic swap transaction, the Master Fund agrees with its counterparty to exchange the returns (or differentials in rates of return) earned or realized on a particular "notional amount" of underlying instruments. The notional amount is the set amount selected by the parties as the basis on which to calculate the obligations that they have agreed to exchange. The parties typically do not actually exchange the notional amount. Instead, they agree to exchange the returns that would be earned or realised if the notional amount were invested in given instruments or at given interest rates.

For credit default swaps, the "buyer" of the credit default swap agreement is obligated to pay the "seller" a periodic stream of payments over the term of the agreement in return for a payment by the "seller" that is contingent upon the occurrence of a credit event with respect to an underlying reference debt obligation. Generally, a credit event means bankruptcy, failure to timely pay interest or principal, obligation acceleration, or modified restructuring of the reference debt obligation. The contingent payment by the seller generally is the face amount of the debt obligation in exchange for the physical delivery of the reference debt obligation or a cash payment equal to the then current market value of that debt obligation. By way of example, the investment manager might "buy" credit default swaps to help protect against the risk of default by the issuer of one or more debt securities held by the Master Fund. Alternatively, the Master Fund may "sell" a credit default swap to gain exposure to an asset class more efficiently or less expensively than by purchasing the related debt security outright.

Interest rate swaps involve the exchange by the Master Fund with another party of their respective commitments or rights to pay or receive interest, such as an exchange of fixed rate payments for floating interest rate payments. For example, if the Master Fund holds a debt obligation with an interest rate that is reset only once each year, it may swap the right to receive interest at this fixed rate for the right to receive interest at a rate that is reset every week. Thus, if interest rates rise, the increased interest received by the Master Fund would offset a decline in the value of the debt

obligation. On the other hand, if interest rates fall, the Master Fund's benefit from falling rates would be decreased.

Except as noted above, there is no limit on the amount of credit risk or interest rate hedging transactions that may be entered into by the Master Fund. The risk of loss with respect to credit risk hedges is limited to the amount of periodic streams of payments over the term of the agreement. If the other party to a credit default swap defaults, the Master Fund's risk of loss consists of the net payment of the face amount of the debt obligation. Similarly, the risk of loss with respect to interest rate hedges is limited to the net amount of interest payments that the Master Fund is obligated to make. If the other party to an interest rate swap defaults, the Master Fund's risk of loss consists of the net amount of interest payments that the Master Fund is entitled to receive. The Master Fund will only enter into an interest rate swap after the Investment Adviser of the Master Fund has evaluated the creditworthiness of the other party to the swap in accordance with the requirements set out below.

Interest rate and credit default swaps may be bought or sold by the Master Fund on a Recognised Market or off-exchange on an over-the-counter market ("OTC Contracts"). OTC Contracts are permitted under legislation subject to the following additional requirements (a) the OTC Contracts must not expose the Master Fund to risks which it could not otherwise assume (e.g. gain exposure to instruments/issuers to which the Master Fund cannot have a direct exposure or subject the Master Fund to potential loss greater than that which it could obtain in the cash market); (b) the obligations of the Master Fund under the OTC Contracts must, at all times, be held in liquid assets or readily marketable securities; (c) the counterparty must have a credit rating of A2 (or equivalent) or better, or if unrated, have, in the opinion of the Investment Adviser of the Master Fund, an implied rating of A2 (or equivalent) or better. Alternatively, an unrated counterparty is acceptable if the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 (or equivalent) or better; (d) exposure to the counterparty (which must take account of all exposures which the Master Fund might have to the counterparty), must not exceed 10% of the Master Fund's net asset value (or 30% of the Master Fund's net asset value in the case of a Relevant Institution (as defined below) (acceptable collateral, as described under "Use of Repurchase Agreements" below, may be provided by a counterparty in order to reduce the Master Fund's exposure to that counterparty); (e) the Investment Adviser of the Master Fund must be satisfied that the counterparty has agreed to value the transaction at least weekly and to close out the transaction at its request at a fair value; and (f) the periodic reports of the Master Fund must provide information on the OTC Contracts entered into during the reporting period, the names of the counterparties and the resulting amount of commitments. The net maximum potential exposure created by such OTC Contracts, together with any other borrowings of the Master Fund shall not exceed 25% of the net assets of the Master Fund.

#### **Use of Collateralized Debt Obligations ("CDOs") and Collateralized Loan Obligations ("CLOs")**

The Master Fund may invest in CDOs, principally CLOs. Generally CDOs are types of asset-backed securities. CLOs are generally considered to be one type of CDO. CLOs represent interests in a special purpose, bankruptcy-remote vehicle, typically a trust, collateralized by a pool generally comprised of corporate and/or sovereign loans, which may include, among others, senior secured loans, senior unsecured loans, and subordinate corporate loans made to domestic and foreign borrowers, including loans that may be rated below investment grade or equivalent unrated loans. In all types of CDOs, the interests in the trust are split into two or more portions, called tranches, varying in risk, maturity, payment priority and yield. The riskiest portion is the "equity" tranche, which is the first loss position to observe defaults from the collateral in the trust or to trade at a close. Because they are partially protected from defaults as a result of the subordinate tranches, senior tranches of a CDO trust typically have higher ratings and lower yields than the underlying collateral securities held by the trust and can be rated investment grade. The Master Fund may invest in any tranche of a CDO excluding the "equity" tranche.

#### **Use of Repurchase Agreements/Reverse Repurchase Agreements**

The Master Fund may enter into repurchase agreements with respect to its permitted investments. In a repurchase agreement transaction, the Master Fund purchases a U.S. government security from a bank or broker-dealer. The agreement provides that the bank or broker-dealer will repurchase the security at an agreed-upon price and date. The bank or broker-dealer must transfer to the Master

Fund's account collateral consisting of securities with an initial value, including any earned but unpaid interest, equal to at least 102% of the dollar amount invested by the Master Fund in each repurchase agreement.

The Master Fund may enter into repurchase or reverse repurchase agreements ("repo contracts") only in accordance with normal market practice and provided that collateral obtained under the repo contract is in the form of cash or liquid securities and complies with the following criteria – liquidity: collateral must be sufficiently liquid so that it can be sold quickly at a robust price that is close to its pre-sale valuation; valuation: collateral must be capable of being valued on at least a daily basis and must be marked to market daily; issuer credit quality: where the collateral issuer is not rated A-1, or equivalent, conservative haircuts must be applied. Any incremental income generated from repo contracts will be accrued to the Master Fund. Investors should note that the Master Fund may utilise up to 100% of its assets for repo contracts. Until the expiry of a repo contract, the collateral obtained under such contract (a) must equal or exceed in value at all times the value of the amount invested or securities loaned by the Master Fund; (b) must be transferred to the trustee of the Master Fund or its agent (except where the Master Fund uses tri-party collateral management services of International Central Securities Depositories and Relevant Institutions which are generally recognised as specialists in this type of transaction and the Master Fund's trustee is a named participant to the collateral arrangements); and (c) must be immediately available to the Master Fund without recourse to the counterparty in the event of a default by that entity.

Non-cash collateral (i) cannot be sold or pledged by the Master Fund; (ii) must be held at the risk of the counterparty; (iii) must be issued by an entity independent of the counterparty; and (iv) must be diversified to avoid concentration in any one country, sector or issue.

Cash received as collateral may only be invested in (i) deposits with Relevant Institutions (ii) government or other public securities (iii) certificates of deposit issued by Relevant Institutions, (iv) letters of credit with a residual maturity of three months or less which are unconditional and irrevocable and which are issued by Relevant Institutions, (v) repo contracts, subject to the provisions of this section, and (vi) daily dealing money market funds which have and maintain a rating of AAA or equivalent provided that if investment is made in a fund managed by the Investment Adviser of the Master Fund or by an associated or related company, no subscription, conversion or redemption charge may be charged by the underlying money market fund.

Invested cash collateral held at the risk of the Master Fund, other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. The Master Fund must be satisfied, at all times, that any investment of cash collateral will enable it to meet its repayment obligations. Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity.

The Master Fund may only enter into repo contracts with counterparties which have a minimum credit rating of A2 or equivalent or are deemed by the Master Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.

Repo contracts do not constitute borrowing or lending for the purposes of the borrowing restrictions set out under "Fundamental Investment Policies of the Master Fund" above.

### **When-issued and Delayed Delivery Securities**

The Master Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "delayed delivery" basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and delayed delivery may be sold prior to the settlement date, but the Master Fund will usually enter into when-issued and delayed delivery only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities which have been purchased pursuant to a delayed delivery or on a when-issued basis prior to delivery of the securities. If the Master Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a delayed delivery,

the Master Fund may incur a gain or loss. There is a risk that the securities may not be delivered and that the Master Fund may incur a loss.

### **Lending of Portfolio Securities**

The Master Fund may from time to time lend its portfolio securities to qualified securities dealers or other institutional investors. However, the Master Fund will limit such loans to a value of 33⅓% of the Master Fund's total assets, measured at the time of the most recent loan. This limitation is a fundamental policy, which means it may not be changed without the approval of the holders of a majority of the Common Shares.

The conditions applicable to the collateral obtained under securities lending agreements are identical to those in relation to repo contracts and are described under "Use of Repurchase Agreements/Reverse Repurchase Agreements" above.

Notwithstanding the above, the Master Fund may enter into securities lending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

The Master Fund may only enter into securities lending agreements with counterparties which have a minimum credit rating of A2 or equivalent or are deemed by the Master Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Master Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.

In addition, the Master Fund must have the right at any time to terminate any securities lending agreement entered into by it, and to demand the return of any or all securities lent within five Business Days or other period as normal market practice dictates.

To the extent that the Master Fund engages in securities lending it may appoint a securities lending agent which may receive a fee in relation to its securities lending activities. Any such securities lending agent is not expected to be an affiliate of the Depositary of the Master Fund or Investment Adviser of the Master Fund. Any operational costs arising from such securities lending activities shall be borne by the securities lending agent out of its fee.

Securities lending agreements do not constitute borrowing or lending for the purposes of the borrowing restrictions set out under "Fundamental Investment Policies of the Master Fund" above.

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## **RISK FACTORS**

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Investment in the Company carries with it a degree of risk including the risks described below. These investment risks are not purported to be exhaustive and potential investors should review the Prospectus carefully and consult with their professional advisers before making an application for Shares. It is important to keep in mind one of the main axioms of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. There can be no assurance that the Company will achieve its investment objectives. The Net Asset Value of Shares may go down as well as up and you may not get back the money invested or the return on your investment.

### **Provisional Allotments**

As the Company may provisionally allot Shares to proposed investors prior to receipt of the requisite subscription monies for those Shares the Company may suffer losses as a result of the non-payment of such subscription monies. While the Company may cancel any provisional allotment if subscription monies are not received in a timely fashion, losses to the Company may nonetheless arise if the Company is required to borrow monies in order to settle subscriptions for Common Shares made in the expectation of the receipt of the relevant subscription monies. The Company may subsequently redeem the Common Shares in order to repay the borrowings, but the interim cost of funding will be borne by the Company. The relevant investor is required to indemnify the Company for any such losses but if the Company is unable to recover under the indemnity the Company as a whole will bear the loss.

### **Share Currency Designation Risk**

A class of Shares may be designated in a currency other than the base currency of the Company, being U.S. Dollars. In such circumstances adverse exchange rate fluctuations between the base currency and the Class Currency may result in a decrease in return and/or a loss of capital for Shareholders. The Investment Manager may try to mitigate this risk for holders of the Hedged Class Shares by using any of the efficient portfolio management techniques and instruments (including currency options and forward currency exchange contracts), within the conditions and limits imposed by the Central Bank, to hedge the foreign currency exposure of such classes into the base currency of the Company. A class may not be leveraged as a result of the use of such techniques and instruments, however, subject to the below, hedging up to, but not exceeding 105% of the Net Asset Value attributable to the relevant class, is permitted. The Investment Manager will monitor hedging on at least a monthly basis and will increase or reduce the level of hedging to ensure that it neither exceeds nor remains below 100% of the Net Asset Value attributable to the relevant class at any month-end.

Investors should be aware that this strategy may substantially limit Shareholders of the relevant Hedged Class from benefiting if the Class Currency falls against the base currency of the Company. In such circumstances, Shareholders of the Hedged Class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/loss on and the costs of the relevant financial instruments.

In the case of a class which is designated in the currency other than the base currency of the Company, a currency conversion will take place on subscriptions, redemptions, exchanges and distributions at the rate of exchange available to the Company and the cost of conversion will be deducted from the relevant class.

Although hedging strategies may not necessarily be used in relation to each class within the Company, the financial instruments used to implement such strategies shall be assets/liabilities of the Company as a whole. However, the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Hedged Class. Any currency exposure of a Hedged Class may not be combined with or offset with that of any other class of the Company.

### **Possible Indemnification Obligations**

The Company has agreed, or may agree, to indemnify the Directors, the AIFM, the Investment Manager, the Administrator, the Depositary, the banks, brokers, dealers, counterparties and others,

under various agreements entered into with such persons, against certain liabilities they or their respective directors, officers, affiliates or agents may incur in connection with their relationships with the Company.

### **Sales Charges**

As a contingent deferred sales charge may be imposed there may be a difference at any one time between the sale and repurchase price. Investment in the Company therefore should be viewed as medium to long-term.

### **Feeder Fund**

Due to the Company's investment in the Master Fund, Shareholders will be subject to fees and expenses arising from the layered investment structure (see the section headed "Fees and Expenses"). The Company may also bear, indirectly through its investment in the Master Fund, a proportion of the offering, organisational and operating expenses of the Master Fund.

**The Master Fund may be permitted in certain circumstances to redeem its shares in-kind. Thus, upon the Company's withdrawal of all or a portion of its interest in the Master Fund, the Company may receive securities that are illiquid or difficult to value. In these circumstances, the Company would seek to dispose of these securities in an appropriate manner including obtaining the consent of Shareholders.**

### **Master Fund Risks**

**As the Company intends to invest up to 100% of its net assets in shares of the Master Fund, the following Master Fund risk factors apply equally to the Company as they do to the Master Fund.**

#### **Credit Risk**

Corporate loans and corporate debt securities may constitute substantially all of the Master Fund's investments. Corporate loans and corporate debt securities are primarily dependent upon the creditworthiness of the borrower for payment of interest and principal. The Master Fund is subject to the risk that the scheduled interest or principal payments on corporate loans, corporate debt securities and other debt obligations in its portfolio will not be paid. If the borrower fails to pay scheduled interest or principal on a corporate loan or corporate debt security and other debt obligations, the income of the Master Fund or the value of its investments may be adversely affected. A decline in the Master Fund's Net Asset Value could result from a borrower defaulting on a corporate loan or corporate debt security and from changes in the creditworthiness of a borrower. In turn, this may reduce the amount of dividends on the Master Fund's shares. In the case of participation interests in corporate loans, a decline in the Net Asset Value also may result from changes in the creditworthiness of intermediate participants interposed between the Master Fund and the borrowers. The Master Fund's receipt of principal and interest payments on a corporate loan or a corporate debt security also depends upon the creditworthiness of any intermediate participant. To reduce credit risk, the Investment Adviser of the Master Fund actively manages the Master Fund as described above.

Corporate loans and corporate debt securities made in connection with highly leveraged transactions are subject to greater credit risks than other corporate loans and corporate debt securities in which the Master Fund may invest. These credit risks include an increased possibility that the borrower may default on the corporate loan or corporate debt security, or may go into bankruptcy. The Master Fund may have more difficulty selling highly leveraged corporate loans and corporate debt securities than other corporate loans and corporate debt securities when they are less liquid. The value of such corporate loans and corporate debt securities can be more volatile in response to interest rate fluctuations. Certain corporate loans and corporate debt securities in which the Master Fund invests may not be rated by any Nationally Recognised Statistical Rating Organization (NRSRO).

The Master Fund may own corporate loans and corporate debt securities of a borrower who files for protection under Chapter 11 of the U.S. Bankruptcy Code. The Master Fund also may purchase corporate loans and corporate debt securities that are issued in connection with a restructuring

pursuant to Chapter 11 of the U.S. Bankruptcy Code. The Master Fund may purchase corporate loans and corporate debt securities that are in default as to the payment of interest or principal or both and with respect to which no interest or principal may be paid for a period of time. In almost all instances, the Master Fund will purchase these obligations only if they hold a senior position in the borrower's capitalisation structure prior to bankruptcy and, in the case of obligations that are not then currently paying interest or principal or both, the Investment Adviser of the Master Fund has determined that such obligations will either begin paying interest or principal or both soon enough to, or may be disposed of at a value that will, meet the investment goals and strategies of the Master Fund. Also, the Investment Adviser of the Master Fund will determine that such obligations are a suitable investment by the Master Fund. However, many borrowers will have non-investment grade subordinated debt. During periods of deteriorating economic conditions, a borrower may have difficulty making its payments under such bonds and other subordinated debt obligations. These difficulties may damage the borrower's credit rating or its ability to obtain financing for short-term cash flow needs. This may force the borrower into bankruptcy or other forms of credit restructuring.

The Master Fund may invest up to 100% of its portfolio in senior secured corporate loans or corporate debt securities that may be high yield, high risk, debt securities that are rated less than investment grade (i.e., less than BBB). These entail default and other risks greater than those associated with higher-rated securities. Generally, the lower the rating category, the more risky the investment. Unsecured debt securities rated lower than BBB by Standard & Poor (S&P) or lower than Baa by Moody's are considered to be high yield, high risk investments, commonly known as "junk bonds". However, the senior secured corporate loans and corporate debt securities in which the Master Fund primarily invests are not junk bonds. They have features that junk bonds generally do not have. These corporate loans and corporate debt securities are senior obligations of the borrower and are secured by collateral. They generally are subject to certain restrictive covenants in favour of the lenders or security holders that invest in the corporate loans or corporate debt securities.

### **Limitations on Availability of Corporate Loans, Participation Interests, Assignments and Corporate Debt Securities**

Direct investments in corporate loans and, to a lesser degree, investments in participation interests or assignments may from time to time be available to only a limited extent. Consequently, there is a risk that the Master Fund may not be able to invest 80% or more of its net assets, plus the amount of any borrowings for investment purposes, in floating rate corporate loans and corporate debt securities or in senior secured corporate loans, participation interests, assignments and corporate debt securities, as described above. Limitations on the availability of these investments may be due to a number of factors. There may be more willing purchasers of direct corporate loans compared to the available loans. Direct lenders also may allocate only a small number of corporate loans to investors, such as the Master Fund. The lenders or the agent bank may have an incentive to market the less desirable corporate loans, participation interests or assignments to investors such as the Master Fund while retaining the more attractive investments for themselves. These factors may reduce the availability of the more desirable investments. As the market for these investments has developed, the availability of these investments has increased. Also, as the Master Fund grows in size, making it possible to purchase larger blocks of these investments readily, the Master Fund's bargaining position for the more desirable investments will improve and there will be less risk that the Master Fund will be unable to invest in desirable investments.

There is a risk that the assets of the Master Fund may not be promptly and effectively invested during periods when the Master Fund is experiencing a large inflow of assets. This means that to the extent that the Master Fund is not investing its assets primarily in corporate loans, participation interests, assignments and corporate debt securities due to the foregoing risks, the Master Fund may be unable to achieve its investment goal. The availability of corporate loans, participation interests, assignments and corporate debt securities also may from time to time reduce the Master Fund's ability to readily comply with the Master Fund's investment policy regarding non-concentration in a single industry.

### **Closed-end funds**

The shares of a closed-end fund typically are bought and sold on an exchange. The risks of investing in a closed-end investment company typically reflect the risk of the types of securities in which the closed-end fund invests. Closed-end funds often leverage returns by issuing debt securities, auction

rate preferred securities or reverse-repurchase agreements. The Master Fund may invest in debt securities issued by closed-end funds, subject to any quality or other standards applicable to the Master Fund's investment in debt securities. If the Master Fund invests in shares issued by leveraged closed-end funds, it will face certain risks associated with leveraged investments.

Investments in closed-end funds are subject to additional risks. For example, the price of the closed-end fund's shares quoted on an exchange may not reflect the net asset value of the securities held by the closed-end fund, and the premium or discount the share prices represent versus net asset value may change over time based on a variety of factors, including supply of and demand for the closed-end fund's shares, that are outside the closed-end fund's control or unrelated to the value of the underlying portfolio securities. If the Master Fund invests in the closed-end fund to gain exposure to the closed-end fund's investments, the lack of correlation between the performance of the closed-end fund's investments and the closed-end fund's share price may compromise or eliminate any such exposure.

### **Exchange-traded funds**

The Master Fund may invest in ETFs. Most ETFs are regulated as registered investment companies under the 1940 Act. Many ETFs acquire and hold securities of all of the companies or other issuers, or a representative sampling of companies or other issuers that are components of a particular index. Such ETFs are intended to provide investment results that, before expenses, generally correspond to the price and yield performance of the corresponding market index, and the value of their shares should, under normal circumstances, closely track the value of the index's underlying component securities. Because an ETF has operating expenses and transaction costs, while a market index does not, ETFs that track particular indices typically will be unable to match the performance of the index exactly. ETF shares may be purchased and sold in the secondary trading market on a securities exchange, in lots of any size, at any time during the trading day. More recently, actively managed ETFs have been created that are managed similarly to other investment companies.

The shares of an ETF may be assembled in a block (typically 50,000 shares) known as a creation unit and redeemed in kind for a portfolio of the underlying securities (based on the ETF's net asset value) together with a cash payment generally equal to accumulated dividends as of the date of redemption. Conversely, a creation unit may be purchased from the ETF by depositing a specified portfolio of the ETF's underlying securities, as well as a cash payment generally equal to accumulated dividends of the securities (net of expenses) up to the time of deposit.

ETF shares, as opposed to creation units, are generally purchased and sold by smaller investors in a secondary market on a securities exchange. ETF shares can be traded in lots of any size, at any time during the trading day. Although the Master Fund, like most other investors in ETFs, intends to purchase and sell ETF shares primarily in the secondary trading market, the Master Fund may redeem creation units for the underlying securities (and any applicable cash), and may assemble a portfolio of the underlying securities and use it (and any required cash) to purchase creation units, if the investment manager believes it is in the Fund's best interest to do so.

An investment in an ETF is subject to all of the risks of investing in the securities held by the ETF and has similar risks to investing in a closed-end fund. In addition, because of the ability of large market participants to arbitrage price differences by purchasing or redeeming creation units, the difference between the market value and the net asset value of ETF shares should in most cases be small. An ETF may be terminated and need to liquidate its portfolio securities at a time when the prices for those securities are falling.

### **Covenant Lite Risks**

Covenant lite loans and debt securities generally entail higher risk, since they lack certain restrictions that serve as early warning signs of a borrower's financial troubles. This risk is offset to varying degrees by the fact that the same financial and performance information is available with or without covenants to lenders and the public alike and can be used to detect such early warning signs as deterioration of a borrower's financial conditions results. With such information, the portfolio managers are normally able to take appropriate action without the help of covenants in the loan agreements or debt securities. Covenant lite corporate loans and debt securities, however, may foster a capital



structure designed to avoid defaults by giving borrowers or issuers increased financial flexibility when they need it the most.

The substantially increased issuance of covenant lite loans and high-yield bonds with weak investor protections in the current market may signal the emergence of a “covenant bubble” that potentially could leave investors vulnerable if a credit cycle downturn in the market occurs.

### **Collateral Impairment**

Generally, during syndication, the collateral for a secured corporate loan or corporate debt security has a fair market value at least equal to 100% of the corporate loan or corporate debt security. Corporate loans and corporate debt securities (excluding unsecured corporate loans and unsecured corporate debt securities) will be secured unless (i) the Master Fund's security interest in the collateral is invalidated for any reason by a court, or (ii) the collateral is fully released with the consent of the agent bank and lenders or under the terms of a loan agreement as the creditworthiness of the borrower improves.

There are risks that may cause the collateral to be insufficient in the event that a borrower defaults on a corporate loan or corporate debt security. In most credit agreements there is no formal requirement to pledge additional collateral if the value of the collateral declines subsequent to the Master Fund's investment in the corporate loan or corporate debt security. To the extent that collateral consists of the stock of the borrower's subsidiaries or other affiliates, the Master Fund will be subject to the risk that this stock will decline in value. Such a decline, whether as a result of bankruptcy proceedings or otherwise, could cause the corporate loan or corporate debt security to be under collateralized or unsecured. The collateral may be held directly or be subject to a first or second lien granted to the agent bank for the benefit of the lenders. Collateral subject to a second lien is riskier to lenders, such as the Master Fund, than a first lien since a first lien holder has a superior claim to payment in case of a default by the borrower.

There is the risk that the collateral may be difficult to liquidate. Intangible assets, such as trademarks, copyrights and patent rights and the first or second liens on the collateral may make the collateral illiquid and it may be difficult for the Master Fund to realise the full value of such collateral on a timely basis. In fact, a majority of the collateral may be illiquid. Consequently, the Master Fund might not receive payments to which it is entitled. This may result in a decline in the value of the investment and, in turn, a decline in the Net Asset Value of the Master Fund's shares.

There may be temporary periods when the principal asset held by a borrower is the stock of a related company, which may not legally be pledged to secure a corporate loan or corporate debt security. On occasions when such stock cannot be pledged, the corporate loan or corporate debt security will be temporarily unsecured until the stock can be pledged or is exchanged for or replaced by other assets, which will be pledged as security for the corporate loan or corporate debt security. However, the borrower's ability to dispose of such securities, other than in connection with a pledge or replacement, will be strictly limited for the protection of the holders of corporate loans or corporate debt securities.

If a borrower becomes involved in bankruptcy proceedings, the Master Fund's access to the collateral may be limited by bankruptcy and other laws. A court may find that the Master Fund's interest in the collateral is invalid or it may find that other creditors of the borrower should be paid before the Master Fund. Such action by a court could be based on a number of legal theories. For example, faulty loan documentation or faulty official filings could lead to an invalidation by a court. This risk is increased when a corporate loan or corporate debt security is made in connection with a highly leveraged transaction. In the event that a court decides that the Master Fund's access to the collateral is limited or void, it is unlikely that the Master Fund would be able to recover the full amount of the principal and interest due to be paid to the Master Fund.

### **Illiquid Securities**

The Master Fund may not invest more than 15% of its net assets in securities that are illiquid. Illiquid securities for the purposes of this limitation are securities that may not be converted to cash for a period of seven days in the normal course of business at approximately the value at which the Master Fund has valued them, generally because they are not readily marketable or are subject to restrictions

on resale. Some of the corporate loans and corporate debt securities in which the Master Fund invests are, at present, not readily marketable and may be subject to significant restrictions on resale. They may not have the liquidity of conventional investment grade debt securities and may be considered illiquid. In the event that the Master Fund voluntarily or involuntarily liquidates these assets, it may not get the full value of the assets. Reduced liquidity affecting an individual security or an entire market may have an adverse impact on market price and the Master Fund's ability to sell particular securities when necessary to meet the Master Fund's liquidity needs or in response to a specific economic event. As the market for corporate loans and corporate debt securities has matured, the Investment Adviser of the Master Fund has found that liquidity continues to improve.

The sale of restricted or illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities often sell at a price lower than similar securities that are not subject to restrictions on resale.

*Restricted Securities That May Be Freely Transferred Among Qualified Institutional Buyers Under Rule 144A Of The 1933 Act, As Amended ("144A Securities")*

Due to changing market or other factors, 144A Securities may be subject to a greater possibility of becoming illiquid than securities that have been registered with the SEC for sale. In addition, the Master Fund's purchase of 144A Securities may increase the level of the Master Fund's illiquidity, as some institutional buyers may become uninterested in purchasing such securities after the Master Fund has purchased them.

### **Risks from Fluctuations in General Interest Rates**

Changes in interest rates in the national and international markets generally affect the market value of fixed-income securities and debt obligations. In turn, the Net Asset Value of the shares of an investment company which invests primarily in fixed-income securities fluctuates. When interest rates rise, the value of a fixed-income portfolio can be expected to fall. However, the Investment Adviser of the Master Fund expects the Master Fund's Net Asset Value to be relatively stable during normal market conditions, because the Master Fund's investments will consist primarily of: (i) corporate loans and corporate debt securities with floating interest rates; (ii) fixed rate corporate loans and corporate debt securities hedged by interest rate swap transactions; and (iii) short-term instruments. Because the Master Fund will invest primarily in these instruments, the Investment Adviser of the Master Fund expects the Net Asset Value of the Master Fund to fluctuate less as a result of interest rate changes than would a portfolio comprised mostly of medium or long-term fixed-rate obligations.

Since some floating interest rates reset only periodically, there are periods during which the interest rate does not change. During such periods, prevailing interest rates and the interest rates on some obligations with floating interest rates held by the Master Fund (including the interest rates on nominal amounts in the Master Fund's interest rate swap transactions) will not move precisely in the same direction or amount. In other words, there will be an imperfect correlation between these rates. These imperfect correlations may cause the Master Fund's Net Asset Value to fluctuate. A sudden and extreme increase in prevailing interest rates may cause a decline in the Master Fund's Net Asset Value. Conversely, a sudden and extreme decline in interest rates could result in an increase in the Master Fund's Net Asset Value.

### **Prepayment**

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 the Master 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 Master 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.

## **Effects of Borrowing And Leverage**

The Master Fund is authorised to borrow money and has arranged a credit facility with a bank, which permits it to borrow funds to meet unfunded commitments in connection with investments or to make redemptions. However, the Master Fund will borrow money under this facility only for temporary, extraordinary or emergency purposes. Under the 1940 Act, the Master Fund is required with respect to all borrowings to maintain minimum asset coverage of at least 300% immediately following any such borrowing and on an ongoing basis. The Master Fund has adopted non-fundamental investment policies that the Master Fund's borrowings may not exceed 25% of its Net Asset Value.

There is a risk that the costs of borrowing may exceed the income and appreciation, if any, on assets acquired with the borrowed funds. If this occurs, the use of borrowing as leverage will reduce the investment performance of the Master Fund compared with what it would have been without leverage. The costs associated with such borrowings include interest payments, fees and dividends. The Master Fund also may be required to maintain minimum average balances in connection with borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements will increase the cost of borrowing over the stated interest rate. When the Master Fund borrows money, the lender will have the right to receive scheduled interest and principal payments. The lender's right to such payments will be senior to those of the holders of the Master Fund's shares. The terms of any such borrowings may limit certain activities of the Master Fund, including the payment of dividends to holders of the Master Fund's shares.

Furthermore, the lenders may be granted certain voting rights if the Master Fund defaults in the payment of interest or repayment of principal. Subject to its ability to liquidate its relatively illiquid portfolio securities, the Master Fund intends to repay the borrowings in the event that the borrowings would impair the Master Fund's status as a regulated investment company under the Internal Revenue Code of 1986, as amended. Interest payments and fees paid by the Master Fund on any borrowings will reduce the amount of income it has available to pay as dividends to the Master Fund's shareholders.

Leverage creates certain risks for holders of the Master Fund's shares. Leveraging by the Master Fund creates an opportunity for greater total return but, at the same time, increases exposure to losses. The Net Asset Value of the Master Fund's shares may be more volatile than if the Master Fund were not leveraged. These risks may be reduced through the use of borrowings that have floating interest rates.

The Master Fund's willingness to borrow money for investment purposes, and the amount it will borrow, will depend on many factors. The most important factors are investment outlook, market conditions and interest rates. Successful use of a leveraging strategy depends on the Investment Adviser of the Master Fund's ability to predict correctly interest rates and market movements. There is no assurance that a leveraging strategy will be successful during any period in which it is employed.

## **Highly Leveraged Transactions**

The corporate loans and corporate debt securities, in which the Master Fund invests primarily, consist of transactions such as re-financings, recapitalisations, mergers and acquisitions, and other financings for general corporate purposes. This means that a borrower has undertaken the obligations in order to finance the growth of the borrower's business through product development or marketing, or to finance changes in the way the borrower utilises its assets and invested or borrowed financial resources. Corporate loans and corporate debt securities also may include senior obligations of a borrower issued in connection with a restructuring pursuant to Chapter 11 of the U.S. Bankruptcy Code, provided that such senior obligations are determined by the Investment Adviser of the Master Fund upon its credit analysis to be a suitable investment by the Master Fund.

A predominant portion of such corporate loans and corporate debt securities (which may be as much as 100% of the Master Fund's total assets) may be issued in leveraged or highly leveraged transactions. This means that the borrower is assuming large amounts of debt in order to have large amounts of financial resources to attempt to achieve its business objectives. Such business objectives may include: management taking over control of a company (leveraged buyout); reorganising the

assets and liabilities of a company (leveraged recapitalisation); or acquiring another company. Such corporate loans and corporate debt securities present special risks.

Such corporate loans may be structured to include both term loans, which are generally fully funded at the time of the Master Fund's investment, and revolving credit facilities, which would require the Master Fund to make additional investments in the corporate loans as required under the terms of the credit facility at the borrower's demand. Such corporate loans also may include receivables purchase facilities, which are similar to revolving credit facilities secured by a borrower's receivables.

### **Derivative Instruments**

The performance of derivative instruments depends largely on the performance of an underlying instrument or index and derivative instruments often have risks similar to their underlying instrument in addition to other risks. Derivatives involve costs and can create economic leverage in the Master Fund's portfolio which may result in significant volatility and cause the Master Fund to participate in losses (as well as enable gains) in an amount that exceeds the Master Fund's initial investment. 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 the Master Fund may not realise the intended benefits. Successful use of derivatives will usually depend on the Investment Adviser of the Master Fund's 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, the Master Fund may not achieve the anticipated benefits of the transaction, and the Master Fund may realise losses, which could be significant. If the Investment Adviser of the Master Fund is not successful in using such derivative instruments, the Master Fund's performance may be worse than if the Investment Adviser of the Master Fund did not use such derivative instruments at all. To the extent that the Master 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.

Use of these instruments could also result in a loss if the counterparty to the transaction (particularly with respect to OTC instruments, such as swap agreements and forward currency contracts) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. 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 the Master Fund is unable to close out a position because of market illiquidity, the Master Fund may not be able to prevent further losses of value in its derivatives holdings and the Master 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. The Master Fund may also be required to take or make delivery of an underlying instrument as a transaction 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 the Master Fund intends 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 Adviser of the Master Fund elects not to do so due to availability, cost or other factors.

The use of derivative strategies may also have a tax impact on the Master Fund. The timing and character of income, gains or losses from these strategies could impair the ability of the Investment Adviser of the Master Fund to utilise derivatives when it wishes to do so.

### **Foreign Exposure**

The Master Fund may invest in corporate loans and corporate debt securities which are made to, or issued by, foreign borrowers, U.S. subsidiaries of foreign borrowers and U.S. entities with substantial foreign operations.

Investing in foreign securities typically involves more risks than investing in U.S. securities. Certain of these risks also may apply to securities of U.S. companies with significant foreign operations. These risks can increase the potential for losses in the Master Fund and affect its Net Asset Value and share price.

### **Renminbi Currency Risk**

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.

### **Currency Exchange Rates**

Foreign securities may be issued and traded in foreign currencies. As a result, their values may be affected by changes in exchange rates between foreign currencies and the U.S. dollar, as well as between currencies of countries other than the U.S. For example, if the value of the U.S. dollar goes up compared to a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars.

### **Political and Economic Developments**

The political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S. Investments in these countries may be subject to the risks of internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases. It is possible that a government may take over the assets or operations of a company or impose restrictions on the exchange or export of currency or other assets. Some countries also may have different legal systems that may make it difficult for the Master Fund to exercise investor rights and pursue legal remedies with respect to its foreign investments. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of the Master Fund's investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and take into account with respect to the Master Fund's investments.

### **Trading Practices**

Brokerage commissions and other fees generally are higher for foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than in the U.S. The procedures and rules governing foreign transactions and custody (holding of the Master Fund's assets) also may involve delays in payment, delivery or recovery of money or investments.

### **Availability of Information**

Foreign companies may not be subject to the same disclosure, accounting, auditing and financial reporting standards and practices as U.S. companies. Thus, there may be less information publicly available about foreign companies than about most U.S. companies.

### **Limited Markets**

Certain foreign securities may be less liquid (harder to sell) and more volatile than many U.S. securities. This means the Master Fund may at times be unable to sell foreign securities at favourable prices.

## **Emerging Markets**

The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation or currency devaluation, which can harm their economies and securities markets and increase volatility. In fact, short-term volatility in the equity securities markets with declines of 50% or more are not uncommon. These factors also lead to increased volatility in the market value of corporate loans and corporate debt securities and other types of debt obligations. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

## **Commitments of the Master Fund to Make Additional Payments to Borrowers**

Corporate loans may be structured to include both term loans and revolving credit facilities. Unlike term loans, revolving credit facilities require the Master Fund to loan additional amounts at the demand of the borrower. Where the Master Fund purchases a participation interest, the intermediate participant may have the obligation to make such future advances to the borrower.

The Master Fund or its custodian will segregate on the books of the Master Fund an amount of equivalent value to meet such future obligations. This amount will be in the form of cash or other liquid assets. Because the Master Fund will maintain a sufficient amount by segregating such assets on the books for such contingent obligations, the Investment Adviser of the Master Fund believes that such obligations do not constitute senior securities under the 1940 Act as interpreted by the SEC. The Master Fund will not invest in corporate loans that would require the Master Fund to make future advances that exceed, in the aggregate for all such corporate loans, 20% of the Master Fund's total assets. The Master Fund also will not invest in corporate loans that would cause the Master Fund to fail to meet the diversification requirements previously described.

In the event of such a default or prepayment, the Master Fund will designate, on a daily basis, as segregated on its books, liquid assets (not otherwise encumbered) equal in current market value to the amount of compensation that must be paid to the counterparty.

## **Financial Institutions**

As discussed above, the Master Fund will invest more than 25% of its net assets in the securities of companies operating in the industry group consisting of financial institutions and their holding companies, including commercial banks, thrift institutions, insurance companies and finance companies. As a result, the Master Fund is subject to certain risks associated with these institutions, both individually and as a group.

Banking and thrift institutions are subject to extensive governmental regulations. These regulations may limit both the amounts and types of loans and other financial commitments which the institutions may make and the interest rates and fees which the institutions may charge. The profitability of these institutions largely depends upon the availability and cost of capital funds. Their profits have recently fluctuated significantly as a result of volatile interest rate levels. In addition, general economic conditions influence the operations of these institutions. Financial institutions are exposed to credit losses which result when borrowers suffer financial difficulties.

Insurance companies are also affected by economic and financial conditions and are subject to extensive government regulation, including rate regulation. Property and casualty companies may be exposed to material risks, including reserve inadequacy, latent health exposure and inability to collect from their reinsurance carriers.

These industries are currently undergoing rapid change as existing distinctions between different businesses become blurred. Recent business combinations have included insurance, finance and securities brokerage under single ownership. Traditional less regulated investment banking firms have opted to become fully fledged banks subject to greater regulation.

## **Portfolio Management and Other Considerations**

In the event that short-term interest rates increase or other market conditions change, the Master Fund's leverage could adversely affect the Net Asset Value of the Master Fund's shares, as noted above. If such changes occur or are anticipated, the Master Fund may attempt to shorten the average maturity of its investment portfolio. This would tend to decrease the negative impact of leverage on the Net Asset Value of the Master Fund's shares. To do this, the Master Fund would purchase securities with generally shorter maturities.

## **Risk of Decline in Net Asset Value Due to Redemptions; Inability to Liquidate Shares**

The Master Fund may be required to sell portfolio holdings to raise cash holdings to meet redemption requests, which may cause the market prices of the Master Fund's portfolio holdings, and hence the Master Fund's Net Asset Value, to decline. If such a decline occurs, the Master Fund cannot predict its magnitude or whether such a decline would be temporary or continue indefinitely. In addition, the sale of portfolio holdings will increase the Master Fund's transaction expenses, and the Master Fund may receive proceeds from the sale of portfolio securities that are less than their valuations by the Master Fund. Accordingly, because of large redemption requests, the Master Fund's Net Asset Value per share may decline more than it otherwise might, thereby reducing the amount of proceeds received by redeeming shareholders and the Net Asset Value per share for non-redeeming shareholders.

## **Dividend Distribution Policy of the Master Fund**

The Master Fund is deemed a partnership for U.S. federal income tax purposes. The Master Fund will determine each partner's allocable share of partnership distributable net income or loss daily. The Master Fund will make distributions of net income to its partners including the Company on a monthly basis. The character of the underlying net income for tax purposes should be retained when distributed to the partners. On an annual basis the Master Fund will distribute realised capital gains to the partners, (i.e., the shareholders of the Master Fund) including the Company.

The Master Fund typically declares dividends each day that its net asset value is calculated and pays them monthly. The net investment income for the Master Fund consists of accrued interests in investments in loans, amortisation income (discount and facility fees on loans), dividend income from the Sweep Money Fund (Franklin Institutional Fiduciary Trust Money Market Portfolio) less management fees, administration fees, custodian fees, audit fees, amortisation of offering costs, printing and mailing costs. The Master Fund's net investment income is reduced by interest on the Master Fund's borrowings and dividends or interest on any securities issued by the Master Fund. Capital gains, if any, may be distributed at least annually. The Master Fund does not pay "interest". The amount of any distribution from the Master Fund will vary and there is no guarantee that the Master Fund will pay either income dividends or capital gain distributions.

Common Shares accrue dividends from the day the Master Fund receives the shareholder's investment and continues to accrue through the day it receives a request to redeem the Common Shares.

## **Dividend Distribution Policy of the Company**

The Articles empower the Directors to declare dividends in respect of any Shares out of net investment income together with the net realised capital gains of the Company, subject to certain specified adjustments. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

In respect of Class A (dis) Shares, Class A (dis) EUR-H1 Shares, Class A (dis) RMB-H1 Shares, Class A (dis) SGD-H1 Shares, Class AX Shares, Class B Shares, Class C (dis) Shares, Class N (dis) Shares and Class Z (dis) Shares the Company intends to declare monthly dividends to Shareholders on the last Business Day of each month. The last Business Day of each month, or the last Business Day of each calendar quarter, as the case may be, is hereinafter referred to as the "*Dividend Declaration Date*". Dividends will normally be reinvested in the subscription of further Shares of the Class to which such dividends relate, unless otherwise stated in the application form. Such further

Shares will be issued on the Dividend Declaration Date at the Net Asset Value per Share obtained on that date after the declaration of the relevant dividend. No initial sales charge will be payable on such Shares. Applicants 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 Shareholders who have elected to receive dividends in cash either as requested by the Shareholder by transfer of funds or by cheque mailed to their address shown on the application form of the Shareholder (with any charges in either case being at the expense of the Shareholder) within ten Business Days of the relevant Dividend Declaration Date.

The Directors may from time to time, and in their sole discretion, determine that the Company shall apply an equalisation formula in respect to any relevant class of Shares for any month in which it is expected that significant subscriptions or redemptions of relevant Shares during that month might have a significant impact on the net investment income of the relevant class which would otherwise be available for distribution on the relevant Dividend Declaration Date. In such circumstances, the subscription price of the Shares in the relevant class will be deemed to include an equalisation amount which represents a portion of the accrued income of the relevant class up to the point of subscription, and the first distribution in respect of the Shares in the relevant class will include a payment of capital usually equal to the amount of such equalisation payment. The redemption price of each Share in the relevant class will also include an equalisation payment in respect of the accrued income up to the Dealing Day on which the relevant Shares are redeemed.

The Company does not intend to declare dividends in respect of Class A (acc) Shares, Class C (acc) Shares, Class N (acc) Shares or Class Z (acc) Shares. Instead, the net income received by the Company by way of distribution from the Master Fund attributable to Class A (acc) Shares, Class C (acc) Shares, Class N (acc) Shares or Class Z (acc) Shares, will be reflected in the increased Net Asset Value of Class A (acc) Shares, Class C (acc) Shares, Class N (acc) Shares or Class Z (acc) Shares, as the case may be.

The Company will distribute the realised capital gains, if any, received from the Master Fund annually to its Shareholders in December each year.

### **Operation of the Subscription and Redemption Collection Account**

Subscription monies received in advance of the issue of Shares will be held in the Company Cash Collection Account in the name of the Company. Investors will be unsecured creditors of the Company with respect to the amount subscribed until such Shares are issued, and will not benefit from any appreciation in the NAV of the Company or any other shareholder rights (including dividend entitlement) until such time as Shares are issued. In the event of an insolvency of the Company, there is no guarantee that the Company will have sufficient funds to pay unsecured creditors in full.

Payment by the Company of redemption proceeds and dividends is subject to receipt by the Company of the subscription documents and compliance with all anti-money laundering procedures. The Company is not required to issue payment in respect of a redemption of Shares until it receives payment for the issuing of those Shares. Notwithstanding this, redeeming Shareholders will cease to be Shareholders, with regard to the redeemed Shares, from the relevant redemption date. Redeeming Shareholders and Shareholders entitled to distributions will, from the redemption or distribution date, as appropriate, be unsecured creditors of the Company and will not benefit from any appreciation in the NAV of the Company or any other Shareholder rights (including further dividend entitlement), with respect to the redemption or distribution amount. In the event of an insolvency of the Company during this period, there is no guarantee that the Company will have sufficient funds to pay unsecured creditors in full. Redeeming Shareholders and Shareholders entitled to distributions should therefore ensure that any outstanding documentation and information is provided to the Administrator promptly. Failure to do so is at such Shareholder's own risk.

### **Cyber Security Risk**

With the increased use of technologies such as the Internet and the dependence on computer systems to perform business and operational functions, the Company, the Master Fund and their service providers (including the AIFM, Investment Manager, Depositary and Administrator) may be prone to operational and information security risks resulting from cyber-attacks and/or technological



malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of the Company, the Investment Manager, the Depositary, Administrator, or other affiliated or third-party service provider may adversely affect the Company or the Shareholders. For instance, cyber-attacks may interfere with the processing of Shareholder transactions, affect the Administrator's ability to calculate the Net Asset Value of the Company and the Shares, cause the release of private Shareholder information or confidential information, impede trading, cause reputational damage, and subject the Company to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of Company assets and transactions, Shareholder ownership of Shares, and other data integral to the functioning of the Company inaccessible or inaccurate or incomplete. The Company may also incur substantial costs for cyber security risk management in order to prevent cyber incidents in the future. The Company and their Shareholders could be negatively impacted as a result. While the AIFM has established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. The Company rely on third-party service providers for many of their day-to-day operations, and will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect the Company from cyber-attack. Similar types of cyber security risks also are present for issuers of securities in which the Company invest, which could result in material adverse consequences for such issuers, and may cause a Company's investment in such securities to lose value.

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## THE COMPANY

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The Company is a public limited liability investment company with variable capital, incorporated in Ireland pursuant to the Act on 1 December 1999 under registration number 316174. The Company is a retail alternative investment fund for the purposes of AIFMD and has appointed Franklin Templeton International Services S.à r.l. to be its AIFM. The Company is authorised by the Central Bank as an investment company under the Act and designated by the Central Bank under Section 1395 of the Act to provide facilities for the direct or indirect participation by the public in the profits and income of the Company.

The Company has as its sole object the collective investment of its funds in property with the aim of spreading investment risk and giving the members of the Company the benefit of the results of the management of its funds.

### **The Share Capital**

The minimum authorised share capital of the Company is two Shares of no par value designated as unclassified Shares. The maximum authorised share capital of the Company is 500,000,000,002.00 (five hundred billion and two) Shares of no par value designated as unclassified Shares.

### **Voting Rights**

Under the Articles, every holder of Shares present in person or by proxy shall have one vote per share held by them on a poll and on a show of hands. The investment objectives of the Company, and the fundamental policies of the Master Fund, can be changed only with Shareholder and Common Shareholder approval respectively.

If the Company, as an investor in the Master Fund, is asked to vote on a proposed change in a fundamental policy of the Master Fund or any other matter pertaining to the Master Fund (other than continuation of the business of the Master Fund after withdrawal of another investor in the Master Fund), the Company will solicit proxies from its Shareholders and vote its interest in the Master Fund for and against such matters proportionately to the instructions to vote for and against such matters received from the Company's Shareholders. The Company will vote Common Shares for which it receives no voting instructions in the same proportion as the Common Shares for which it receives voting instructions. There can be no assurance that any matter receiving a majority of votes cast by the Shareholders will receive a majority of votes cast by all Master Fund investors. If other investors in the Master Fund hold a majority interest in the Master Fund, they could have voting control over the Master Fund.

### **Variation of Shareholder Rights**

The rights attached to each class of Shares may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of three fourths of the issued Shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of that class. The provisions of the Articles in relation to general meetings shall apply to every such separate general meeting, except that the necessary quorum at any such meeting shall be two persons holding or representing by proxy at least one-third of the issued Shares of the class in question or, at an adjourned meeting, one person holding Shares of the class in question or his proxy provided however, that if there be, at any time, one person holding all of the Shares of the class in question, such person shall constitute the necessary quorum at such meeting. Any holder of Shares representing one tenth of the Shares in issue of the class in question present in person or by proxy may demand a poll. The rights attaching to any class of Shares shall not be deemed to be varied by the creation or issue of further Shares of that class or of any other class ranking *pari passu* with Shares already in issue, unless otherwise expressly provided by the terms of issue of those Shares.

### **Memorandum and Articles of Association**

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Memorandum and Articles of Association of the Company, copies of which are available as detailed below under "Documents for Inspection".

## **Share Capital of the Master Fund**

The Master Fund is authorised to issue an unlimited number of Common Shares (USD 0.01 par value). There are no shares under option or agreed conditionally or unconditionally to be put under option.

Two million (2,000,000) Common Shares were first issued on 27 March 2000 at a price of USD 10.00 per Common Share for a total investment of USD 20,000,000. The Master Fund's Common Shares may be offered in multiple classes. Although the Master Fund does not currently intend to do so, it may classify and reclassify any unissued Common Shares at any time. Additional Common Shares will be issued at a price equal to the net asset value per share next determined after the Master Fund receives the purchase order.

Common Shares do not have pre-emptive, conversion, exchange or redemption rights. Each Common Share has equal voting, dividend, distribution and liquidation rights. Both the outstanding Common Shares (i.e. the Common Shares issued prior to the date of the Master Fund prospectus) and the Common Shares offered by the Master Fund prospectus (once they are issued and fully paid in accordance with the Master Fund's Prospectus) are fully paid and non-assessable. Holders of the Common Shares are entitled to one vote per share.

The Master Fund has non-cumulative voting rights. This gives the holders of more than 50% of the Common Shares voting ability to elect all of the members of the Board of Trustees of the Master Fund (the "Master Fund Board"). If this happens, holders of the remaining Common Shares voting will not be able to elect anyone to the Master Fund Board.

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## SUBSCRIPTIONS AND REDEMPTIONS

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### Subscriptions

The subscription policy of the Master Fund mirrors the subscription policy of the Company, as outlined below. The Directors may issue Shares of any class and, on prior notification to, and with prior clearance from, the Central Bank, create new classes of Shares on such terms as they may from time to time determine. Shares of any particular class may accommodate different subscriptions and/or redemptions and/or dividend provisions and/or charges and/or fee arrangements. A separate pool of assets will not be maintained for each class of Shares. Before investing in a specific class, investors should ensure that such class best suits their needs and should consider the local tax implications relevant to their personal circumstances and local tax laws. Investors are recommended to contact a tax adviser or their financial adviser for further information.

The minimum initial subscription for each class of Shares shall be USD 5,000 (or its foreign currency equivalent). The minimum additional subscriptions for each class of Shares is USD 1,000 (or its foreign currency equivalent). There is a minimum holding requirement of USD 1,000 (or its foreign currency equivalent) for each class of Shares. The Directors or the Distributor may from time to time waive or vary the minimum initial and subsequent subscription amounts and holding requirements for any class of Shares.

Shares may be subject to an upfront sales charge and/or a contingent deferred sales charge ("CDSC") as described under "Fees and Expenses".

Application forms must be received by the Company no later than 4:00 p.m. U.S. eastern standard time (the "Dealing Deadline") (or such other time as the Directors may from time to time determine) on each Dealing Day. Subscription proceeds must be paid in the relevant Class Currency within five Business Days following the Dealing Day on which the application form is received, unless the Board of Directors requires cleared funds on or prior to an application being accepted. If timely settlement is not made, an application may lapse and be cancelled. In such circumstances, the Company has the right to bring an action against the defaulting applicant to obtain compensation for any loss directly or indirectly resulting from the failure by the Applicant to make good settlement by the settlement date. The Company reserves the right to cancel the provisional allotment of the relevant Shares in those circumstances.

Shares of each class in the Company will be available for subscription at the Net Asset Value per Share on each Dealing Day. 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). In order to receive Shares at the Net Asset Value per Share as of any particular Dealing Day, Share applications must be received by the Company at the address specified on the application form prior to the Dealing Deadline on such Dealing Day.

Applications for Shares which are received after the Dealing Deadline, or subscription monies which are not cleared by the fifth Business Day following the relevant Dealing Day, may be returned to applicants or held over (without interest) until the next Dealing Day. Monies held over for applicants will be maintained in a segregated non-interest bearing client account and will remain the property of the applicant until the next Dealing Day.

All Shares issued will be in registered form and written confirmation of ownership will be sent to Shareholders within ten days of registration. Share certificates will not be issued unless the Directors otherwise determine. The number of Shares issued will be rounded to 3 decimal places, using conventional rounding to the nearest thousandths place and any surplus money will be credited to the Company.

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. Depending on the circumstances of each application, a detailed verification might not be required where (a) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or (b) the application is made through a recognised intermediary. These exceptions will only apply if the financial institution or intermediary referred to above are within a country recognised by Ireland as having equivalent anti-money laundering regulations.

The Company, and the Administrator acting on behalf of the Company, reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company and the Administrator acting on behalf of the Company, may refuse to accept the application and all subscription monies.

The Company will not knowingly issue, or approve the transfer of any Shares to any US Person except in a transaction which does not contravene U.S. securities laws. Each applicant for Shares will be required to provide such representations, warranties or documentation as may be required by the Company to ensure that these requirements are met prior to the issue of Shares.

The Company may restrict or prevent the ownership of Shares by any US Person and/or any person, firm or corporate body, if in the opinion of the Company such holding may be detrimental to the Company or its Shareholders, may result in a breach of any applicable law or regulation (whether Ireland or foreign) or may expose the Company or its Shareholders to liabilities (to include, *inter alia*, regulatory or tax liabilities and any other tax liabilities that might derive, *inter alia*, from any breach of FATCA requirements) or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies (including US persons and/or persons in breach of FATCA requirements) are herein referred to as "Prohibited Persons".

For such purposes, the Company may:

- (a) 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 Prohibited Person;
- (b) 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 Prohibited Person, or whether such registration will result in beneficial ownership of such Shares by a Prohibited Person;
- (c) where it appears to the Company that any Prohibited Person, 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
- (d) decline to accept the vote of any Prohibited Person at any meeting of Shareholders of the Company.

FATCA requires FFIs to provide the U.S. Internal Revenue Service with information about accounts held directly or indirectly by certain specified US persons. In addition, a 30% withholding tax is imposed on certain types of U.S. sourced income (including dividends, interest and certain derivative payments) and on gross proceeds of sale of certain U.S. assets that can produce U.S. sourced income paid to an FFI that fails to comply with FATCA.

The Government of Ireland has entered into a Model 1 Intergovernmental Agreement (the "Irish IGA") with the United States for the implementation of FATCA. The Company will have to comply with the Irish IGA and its implementing regulations. More specifically, the Company will be required to collect

information aiming to identify its direct and indirect Shareholders that are US Persons for FATCA purposes ("reportable accounts"). Any such information on reportable accounts will be shared with the Irish tax authorities, who will then exchange that information on an automatic basis with the Government of the United States.

The Company is registered with the IRS and is a deemed-compliant FFI. The Company intends to comply with the terms of the Irish IGA to be deemed compliant with FATCA and not be subject to the 30% withholding tax with respect to its share of any payments attributable to actual and deemed U.S. investments in the Company. To ensure the Company's compliance with FATCA and the Irish IGA, the Company, either directly or through its agents, 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; or
- (b) report information concerning a Shareholder and his account holding in the Company to the Irish tax authorities if such account is deemed a U.S. reportable account under the Irish IGA; and
- (c) if permitted by applicable law or rules, deduct applicable U.S. withholding taxes from certain payments made to a shareholder by or on behalf of the Company in accordance with FATCA and the Irish IGA. The Company in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

Although the Company will endeavour to satisfy any obligations imposed on it to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the FATCA regime, its net asset value may be adversely affected and Shareholders may suffer substantial losses as a result.

On 29 October 2014, Ireland signed the Multilateral Competent Authority Agreement (the "CAA") on the implementation of the Global Standard for the automatic exchange of financial account information. By signing the CAA, Ireland has agreed to implement regulations to enable the adoption of automatic exchange of information with all other CAA signatory countries (whenever they sign the CAA).

On 9 December 2014 the European Council adopted Directive 2014/107/EU amending Directive 2011/16/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2011/16/EU now provides for the automatic exchange of account information between EU member states.

Shareholders are hereby notified that the Company is required under Irish law to report various details about Shareholders resident in EU member states or CAA signatory jurisdictions to the Irish Tax Authorities. They will share Shareholder account data in accordance with Directive 2011/16/EU or the CAA with the tax authority of any other EU member state or CAA signatory jurisdiction where the account holder is tax resident.

### **Market Timing 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 Administrator such trading may interfere with the efficient management of the Company, may materially increase the Company'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 a Shareholder's activity in the Company or in any other Franklin Templeton fund or non-Franklin Templeton fund is brought to the attention of the Company or the Administrator

and based on that information the Company or its 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 a Shareholder'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 redemptions (including purchases and/or redemptions by an exchange or transfer between the Company and any other Franklin Templeton fund).

In considering an investor's trading activity, the Company may consider, among other factors, the Shareholder's trading history both directly and, if known, through financial intermediaries, in the Company, in other Franklin Templeton funds, in non-Franklin Templeton mutual funds, or in accounts under common control or ownership.

### **Market Timing through Financial Intermediaries**

Shareholders are subject to this policy whether they are a direct shareholder of the Company or are investing indirectly in the Company through a financial intermediary such as a bank, an insurance company, an investment adviser, or any other Distributor that acts as nominee for Shareholders subscribing the shares in their own name but on behalf of its customers (the shares being held in an "omnibus account").

While the Company will encourage financial intermediaries to apply the Company's market timing trading policy to their customers who invest indirectly in the Company, the Company is limited in its ability to monitor the trading activity or enforce its market timing trading policy with respect to customers of financial intermediaries. For example, should it occur, the Company may not be able to detect market timing that may be facilitated by financial intermediaries or made difficult to identify in the omnibus accounts used by those intermediaries for aggregated purchases, exchanges and redemptions 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 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 Company, the amount of assets the portfolio Investment Adviser of the Master Fund typically maintains in cash or cash equivalents and the dollar amount and number and frequency of trades, short-term or excessive trading may interfere with the efficient management of the Company's portfolio, increase the Company's transaction costs, administrative costs and taxes and/or impact Company performance.

In addition, if the nature of the Company's portfolio holdings exposes the Company to Shareholders 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 Company's portfolio holdings and the reflection of the change in the net asset value of the Shares, sometimes referred to as "arbitrage market timing", there is the possibility that such trading, under certain circumstances, may dilute the value of Shares if redeeming Shareholders receive proceeds (and buying Shareholders receive Shares) based upon net asset values 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 Company's portfolio holdings and the net asset value of the Shares if there are significant investments in foreign securities because certain foreign markets close several hours ahead of the U.S. 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 is currently using several methods to reduce the risk of market timing. These methods include:

- reviewing Shareholder 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 Shareholders. 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 accounts. 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 Administrator on the Dealing Days following receipt by the Administrator.

### **Determination of Net Asset Value of the Company**

The Net Asset Value of the Company and the Net Asset Value per Share in the Company shall be calculated by the Administrator to the nearest two decimal places in the base currency of the Company. To the extent specified in this Prospectus, the Net Asset Value of the Company, and the Net Asset Value per Share in the Company, shall be calculated by the Administrator as of the Valuation Point on each Business Day in accordance with the valuation provisions summarised below.

The Net Asset Value of the Company shall be calculated by ascertaining the value of the assets of the Company and deducting from such amount the liabilities of the Company, which shall include all fees and expenses payable, accrued and estimated to be payable out of the assets of the Company.

The Net Asset Value per Share in respect of any class will be calculated by dividing the Net Asset Value of the Company by the number of Shares of the relevant class in issue as of the relevant Valuation Point and making such adjustments thereto as are necessary to allocate the relevant fees, charges and expenses to such class, and to take account of any distributions made out of such class.

The Investment Manager may hedge the foreign currency exposure of a Hedged Class into the base currency of the Company in order that investors in that class receive a return in the currency of that class which is not materially affected by changes in value between the Class Currency and the base currency of the Company. As foreign exchange hedging may be utilised for the benefit of a particular class, its cost and related liabilities and/or benefits 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 class. The currency exposures of the assets of the Company 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.

The Net Asset Value per Share will be published on the Irish Stock Exchange on each Business Day and may be published in the Financial Times and in such other publication(s) or such electronic media, as the Directors may from time to time determine.

The Net Asset Value of the Company is equal to the value of its holding in the Master Fund plus the Company's cash plus net income less expenses (which shall include fees payable by the Company).

Shares in the Master Fund will be valued on the basis of the latest available repurchase price for Common Shares of the Master Fund.

Shares in collective investment schemes shall be valued on the basis of the latest available redemption price of such Shares after deduction of any redemption charges. If such prices are unavailable the Shares will be valued at their probable realisation value estimated with care and good faith by the AIFM in consultation with the Administrator or by an external valuer appointed for such purpose by the AIFM and approved for such purpose by the Depositary.



Cash deposits and similar assets shall be valued at their face value together with accrued interest unless in the opinion of the AIFM or an external valuer (in consultation with the Administrator and the Depositary) any adjustment should be made to reflect the fair value thereof.

Derivative instruments including swaps, interest rate futures contracts and other financial futures contracts which are traded on a Recognised Market shall be valued at the settlement price at the Valuation Point as determined by the relevant Recognised Market, provided that where it is not the practice of the relevant Recognised Market to quote a settlement price, or if a settlement price is not available for any reason, such instruments shall be valued at their probable realisation value estimated with care and good faith by the AIFM or an external valuer (who shall be approved for such purpose by the Depositary) in consultation with the Administrator. The value of forward foreign exchange contracts which are dealt in on a Recognised Market shall be calculated by reference to the price appearing to the AIFM or an external valuer to be the price at which a new forward contract of the same size, currency and maturity as determined by the relevant Recognised Market could be effected as at the Valuation Point, provided that if such market price is not available for any reason, such value shall be calculated in such manner as the AIFM or an external valuer shall, in accordance with the Administrator, determine with the approval of the Depositary.

Notwithstanding the above provisions, the AIFM or an external valuer, with prior notification to the Depositary (a) adjust the valuation of any listed investment or (b) permit some other method of valuation approved by the Depositary to be used if, having regard to currency, applicable rate of interest, maturity, marketability and/or such other considerations as they deem relevant, they consider that such adjustment or alternative method of valuation is required to reflect more fairly the value thereof.

In determining the Company's Net Asset Value per Share, all assets and liabilities initially expressed in foreign currencies will be converted into the base currency of the Company using the latest available exchange rates at the Valuation Point. If quotations are not available, the rate of exchange will be determined in accordance with policies established in good faith by the AIFM or an external valuer.

### **Determination of Net Asset Value of the Master Fund**

The net asset value per share of the Master Fund is calculated as of the close of the New York Stock Exchange ("NYSE"), normally 1.00 p.m. Pacific time, each day that the NYSE is open for trading. For the purpose of determining the net asset value of Common Shares, the Master Fund's cash and un-invested assets plus the value of the securities and any other assets (including interest accumulated but not yet received) held by the Master Fund minus all liabilities (including accrued expenses) is divided by the total number of Common Shares outstanding at such time.

The Master Fund values corporate loans or corporate debt securities traded in the over-the counter market at the last quoted sales price of the day, or if there is no reported sale, within the range of the most recent bid and asked prices. With the approval of the Master Fund Board, the Master Fund may use a pricing service, bank or securities dealer to perform these functions.

The Investment Adviser of the Master Fund, subject to guidelines adopted and periodically reviewed by the Master Fund Board, values corporate loans and corporate debt securities, for which there are no readily available market quotations, at fair value, which approximates market value.

Non-loan portfolio securities (other than short-term obligations, but including listed issues) may be valued on the basis of prices furnished by one or more pricing services which determine prices for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between securities which are generally recognised by institutional traders. In certain circumstances, non-loan portfolio securities are valued at the last sale price on the exchange that is the primary market for such securities, or the mean between the bid and the asked price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales during the day.

The value of interest rates swaps, caps and floors is determined in accordance with a formula and then confirmed periodically by obtaining a bank quotation. Positions in options are valued at the last

sale price on the market where any such option is principally traded. Obligations with remaining maturities of sixty days or less are valued at amortised cost unless this method no longer produces fair valuations. Repurchase agreements are valued at cost plus accrued interest. Rights or warrants to acquire stock, and stock acquired pursuant to the exercise of a right or warrant, may be valued taking into account various factors such as original cost to the Master Fund, earnings and net worth of the issuer, market prices for securities of similar issuers, assessment of the issuer's future prosperity, liquidation value or third party transactions involving the issuer's securities. Securities for which there exists no price quotations or valuations and all other assets are valued at fair value as determined in good faith by or on behalf of the Master Fund Board.

The Master Fund values cash and receivables at their realisable amounts, and records interest as accrued and dividends on the ex-dividend date. If market quotations are readily available for portfolio securities listed on a securities exchange or on the Nasdaq National Market System, the Master Fund values those securities at the last quoted sale price of the day or, if there is no reported sale, within the range of the most recent quoted bid and ask prices. The Master Fund values over-the-counter portfolio securities within the range of the most recent quoted bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Master Fund values them according to the broadest and most representative market as determined by the Investment Adviser of the Master Fund.

Generally, trading in corporate bonds, U.S. government securities and money market instruments is substantially completed each day at various times before the close of the NYSE. The value of these securities used in computing the net asset value 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 NYSE that will not be reflected in the computation of the net asset value of the Master Fund. If events materially affecting the values of these securities occur during this period, the securities will be valued at their fair value as determined in good faith by the Master Fund Board.

Other securities for which market quotations are readily available are valued at the current market price, which may be obtained from a pricing service, based on a variety of factors including recent trades, institutional size trading in similar types of securities (considering yield, risk and maturity) and/or developments related to specific issues. Securities and other assets for which market prices are not readily available are valued at fair value as determined following procedures approved by the board. With the approval of the Master Fund Board, the Master Fund may use a pricing service, bank or securities dealer to perform any of the above described functions.

### **Redemption of Shares in the Company**

Shareholders may redeem any or all of their Shares on any Dealing Day except when dealings have been temporarily suspended in the circumstances described under the section headed "Temporary Suspension of Dealings" below at a price per Share equal to the Net Asset Value per Share as of the relevant Valuation Point. Redemption requests may not be withdrawn except in circumstances where dealings are suspended.

Save where expressly provided below, to be honoured, redemption request forms must be received by the Company at the address specified in the redemption request form not later than the Valuation Point on the *Repurchase Request Deadline*. A request for redemption which would result in a shareholding of less than USD 1,000 (or its foreign currency equivalent) will be deemed a request for redemption of all the Shareholders' outstanding share holdings.

Redemption proceeds will be paid within seven Business Days of the Dealing Day on which redemptions are effected by electronic transfer to the account designated by the Shareholder in the redemption request form attached to this Prospectus or by a distribution of assets of the Company to the Shareholders, provided any such distributions in specie will not materially prejudice the remaining or redeeming Shareholders. Distribution in specie will be made with the approval of the relevant Shareholder (such Shareholder shall be entitled to request the Company to liquidate into cash the assets which are to be distributed) and the Directors.

If the aggregate redemption requests on any Dealing Day equal or exceed 10% or more of the outstanding Shares in issue or deemed to be in issue, the Directors may elect to restrict the total

number of Shares to be redeemed to 10% of the outstanding Shares in issue on that Dealing Day, in which case all redemption requests will be reduced pro rata to the size of the request. The balance of the Shares in respect of which redemption requests have been received shall be redeemed on the next succeeding Dealing Day, subject to the same 10% restriction, and in priority to redemption requests received in respect of the next Dealing Day.

### **Risk Management Process and Liquidity Management**

The AIFM employs a risk management process which enables it to monitor and measure at any time the risk of the positions of the Company.

The AIFM maintains a liquidity management process to monitor the liquidity risk of the Company, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions. The liquidity management systems and procedures allow the AIFM to apply various tools and arrangements necessary to ensure that the portfolio of the Company is sufficiently liquid to normally respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in this Prospectus.

Other arrangements may also be used in response to redemption requests, including the temporary suspension or deferral of such redemption requests in certain circumstances or use of similar arrangements which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out below under the "Temporary Suspension of Dealings" section in this Prospectus.

Upon the request of Shareholders, the AIFM will provide further details regarding the risk management process and liquidity management.

### **Operation of the Subscription and Redemption Collection Account**

The Company has established a collection account at company level in the name of the Company (the "**Company Cash Collection Account**"). All subscriptions into and redemptions and distributions due from the Company will be paid into the Company Cash Collection Account. Monies in the Company Cash Collection Account, including early subscription monies received, do not qualify for the protections afforded by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers.

All subscriptions (including subscriptions received in advance of the issue of Shares) attributable to, and all redemptions, dividends or cash distributions payable will be channelled and managed through the Company Cash Collection Account. Where subscription monies are received in the Company Cash Collection Account without sufficient documentation to identify the investor, such monies shall be returned to the relevant investor within the timescales and as specified in the operating procedure in respect of the Company Cash Collection Account.

Redemptions and distributions, including blocked redemptions or distributions, will be held in the Company Cash Collection Account until payment due date (or such later date as blocked payments are permitted to be paid), and will then be paid to the relevant or redeeming Shareholder. Pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Company in respect of amounts due to it.

Failure to provide the necessary complete and accurate documentation in respect of subscriptions, redemptions or dividends is at the investor's risk.

The Depositary will perform safekeeping and oversight of the monies in the Company Cash Collection Account in accordance with the Depositary and Custodian Agreement. In conjunction with the Depositary, the Company and the Administrator have agreed an operating procedure in respect of the Company Cash Collection Account that identifies the procedures and protocols to be followed in order to transfer monies from the Company Cash Collection Account, the daily reconciliation processes, and the procedures to be followed where there are shortfalls due to late payment of subscriptions, and/or transfer of money due to timing differences.

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## MANDATORY REDEMPTION OF SHARES

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The Company may take steps to liquidate its holding in the Master Fund with a view to compulsorily redeeming all of the outstanding Shares at the then prevailing Net Asset Value per Share:

- (a) if the Net Asset Value of the Company falls below USD 25,000,000 on any Dealing Day;
- (b) if the Depositary has served notice of its intention to retire under the terms of the Depositary and Custodian Agreement (and has not revoked such notice) and no new depositary has been appointed by the Company with the approval of the Central Bank within ninety days of the date of service of such notice;
- (c) if the Shareholders have passed a Special Resolution providing for such redemption at the general meeting of the Company or all of the Shareholders have by written resolution approved the redemption; or
- (d) on the resignation or termination of the AIFM and Investment Manager.

Notwithstanding the foregoing, where the Directors have determined to postpone redemptions in the circumstances described under the section headed “Temporary Suspension of Dealings” below, the redemption proceeds will be paid within seven Business Days of the first Dealing Day on the expiry of the period of suspension.

Shareholders in the Company are required to notify the Company immediately when at any time following their initial subscription for Shares in the Company (a) they become US Persons or hold Shares for the account or benefit of a U.S person; or (b) the Declaration made by or on their behalf is no longer valid. Shareholders are also required to notify the Company immediately in the event that they hold Shares in the Company in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the Company or its Shareholders.

Where the Directors become aware that a Shareholder in the Company (a) is a US Person or is holding Shares for the account of a US Person; or (b) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the Company or its Shareholders; the Directors may (i) direct such Shareholder to dispose of the relevant Shares to a person who is qualified or entitled to own or hold such Shares; or (ii) redeem the relevant Shares at the Net Asset Value of the Shares as at the Valuation Point on any Dealing Day immediately following the date of notification of such mandatory redemption to the relevant Shareholder.

Under the Articles, any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer, or deliver for redemption, his Shares pursuant to the above provisions, if so directed by the Directors pursuant to the above provisions, or who fails to make the appropriate notification to the Company is obliged to indemnify and hold harmless each of the Directors, the Company, the Administrator, the Depositary, the Investment Manager and the Shareholders of the Company (each an “Indemnified Party”) from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

The right of any Shareholders to require the redemption of Shares will be temporarily suspended in the circumstances described under the section headed “Temporary Suspension of Dealings” below.

### **Temporary Suspension of Dealings**

The Directors may at any time, with the prior approval of the Depositary, temporarily suspend the issue, valuation, sale, purchase or redemption of Shares during:

- (a) any period when any organised exchange on which a substantial portion of the investments for the time being comprised in the Company are quoted, listed, traded or dealt in is closed

otherwise than for ordinary holidays, or during which dealings in any such organised exchange are restricted or suspended;

- (b) any period where, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Directors, the disposal or valuation of investments for the time being comprised in the Company cannot, in the opinion of the Directors, be effected or completed normally or without prejudicing the interest of Shareholders;
- (c) any breakdown in the means of communication normally employed in determining the value of any investments for the time being comprised in the Company or during any period when for any other reason the value of investments for the time being comprised in the Company cannot, in the opinion of the Directors, be promptly or accurately ascertained;
- (d) any period when the Company is unable to repatriate funds for the purposes of making redemption payments or during which the realisation of investments for the time being comprised in the Company, or the transfer or payment of the funds involved in connection therewith cannot, in the opinion of the Directors, be effected at normal prices;
- (e) any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the opinion of the Directors, have an adverse impact on the Company or the remaining Shareholders in that Company; or
- (f) if the Master Fund has suspended the continuous offering of Common Shares or suspended or postponed a repurchase of Common Shares.

Notice of any such suspension or postponement shall be published by the Company in such media as the Directors may from time to time determine, if in the opinion of the Directors, it is likely to exceed fourteen days, and shall be notified within the same Business Day to the Central Bank and without delay to the Shareholders and the Irish Stock Exchange. Shareholders who have requested an issue or redemption of Shares will have their subscription or redemption request dealt with on the first Business Day after the suspension has been lifted unless applications or redemption requests have been withdrawn prior to the lifting of the suspension. The Company will take all reasonable steps to bring any period of suspension or postponement to an end as soon as possible.

The Master Fund may suspend the continuous offering of Common Shares at any time without prior notice. Similarly, the Master Fund may resume the offering at any time. If there is a suspension of the offering of Common Shares, common shareholders that reinvest their distributions in additional Common Shares will be permitted to continue to make those reinvestments. All reasonable steps will be taken by the Master Fund Board to bring any suspension to an end as soon as possible.

The Master Fund will not suspend or postpone a redemption of Common Shares except if a majority of the Master Fund Board vote to do so. The holders of Common Shares will receive notice of any suspension or postponement and a notice of any redemption after a suspension or postponement.

Notice of any suspension in the Company's Net Asset Value or the Master Fund's net asset value will be given to the Irish Stock Exchange without delay.

### **Transfer of Shares**

Transfers of Shares must be effected by transfer in writing in any usual or common form or in any other form approved by the Directors from time to time. Every form of transfer must state the full name and address of each of the transferor and the transferee and must be signed by or on behalf of the transferor. The Directors will decline to register any transfer of Shares unless the transfer form is deposited at the registered office of the Company, or such other place as the Directors may reasonably require, accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the holder of the Shares until the name of the transferee is entered in the register of members. A transfer of Shares will not be registered unless the transferee, if not an existing Shareholder, has completed the application form contained in this Prospectus to the satisfaction of the Directors.

Shares are freely transferable except that the Directors or their delegate may decline to register a transfer of Shares:

- (a) if the transfer is in breach of U.S. securities laws;
- (b) if in the opinion of the Directors the transfer would be unlawful or result, or be likely to result, in any adverse regulatory, tax or fiscal consequences or administrative burden to the Company or the Shareholders;
- (c) in the absence of satisfactory evidence of the transferee's identity; or
- (d) if the transfer is a "chargeable event" giving rise to an obligation on the Company to deduct appropriate tax unless the Company is satisfied that it can levy the aggregate tax on this proposed transferor by way of forfeiture of such number of Shares of the proposed transferor as are necessary to discharge such liability and unless the Company receives a valid Declaration from the proposed transferee see the section headed "Taxation" below.

### **Subscription and Redemption Prices**

Subscription and redemption prices of Shares shall be made available to Shareholders on request from the Administrator.

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## MANAGEMENT AND ADMINISTRATION

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### The Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles. The Articles provide that the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property or any part thereof. Under the Articles, the Directors have delegated certain of their powers, duties, and/or discretions. The Directors have delegated the day to day administration of the Company to the Administrator and, consequently, none of the Directors is an executive Director. In particular, the Directors have delegated (i) the day-to-day administration of the Company's affairs (including the calculation of the Net Asset Value and the Net Asset Value per Share, Shareholder registration and transfer agency services and related services) to the Administrator, and (ii) the management of the cash and other assets and investments of the Company to the AIFM.

The Directors are listed below with their principal occupations. Investors should also refer to the section headed "Conflicts of Interest" below. None of the Directors have entered into a service contract with the Company nor is any such contract proposed and none of the Directors are an executive of the Company. The Company has granted indemnities to the Directors in respect of any losses or damages which they may suffer, save where these result from the Directors' negligence, default, breach of duty or breach of trust. The Articles do not stipulate a retirement age for Directors and do not provide for retirement of Directors by rotation. The address of the Directors is the registered office of the Company:

**Gregory E. McGowan, (U.S.)** joined Templeton in 1986 until he resigned in 2016 and held various senior appointments including Executive Vice President, Director and General Counsel of Templeton International Inc and Templeton Worldwide Inc, the organisation responsible for the development and operation of Franklin Templeton businesses outside of North America. Mr McGowan served as a senior attorney for the United States Securities and Exchange Commission (10/83 - 12/86). He holds a BA in Economics/International Affairs from the University of Pennsylvania, an MA from the University of Paris and a Juris Doctor from Georgetown University Law Center. Mr McGowan is a member of the Pennsylvania Bar and is a Florida Corporate Counsel bar member.

**Frank Ennis, (Irish)** acts as an independent consultant and independent director in the funds industry. From 1985 to 1999 he was a partner in PricewaterhouseCoopers and in 1989 he was involved in the Mutual Fund Practice. Most of his career was concerned with providing financial and strategic advice to international companies interested in establishing a presence in Ireland. In addition to global marketing and networking for the International Financial Services Centre (the "IFSC") he was involved in advising on key aspects of start-ups in Dublin, the structuring of fund products and the marketing and distribution of funds in the European market. He had an extensive range of international clients. From 2000-2001 Mr. Ennis was joint CEO and a board member of Trinity Technology Limited. The company was engaged in the technology sector and went into compulsory liquidation on 14 May 2001. He graduated from Trinity College Dublin with a BBS degree in 1977. Having qualified as a Chartered Accountant in 1981, he was admitted as a Fellow to the Institute of Chartered Accountants in 1991.

**David McGeough, (Irish)** has been a non-executive director of, and adviser to, various asset management firms and investment funds and an international Hedge Fund Operational, Risk Assessment and Rating business. Mr. McGeough was a partner, member of the Management Committees and General Counsel at Vega Asset Management Group: a hedge fund manager with US\$12.5 billion assets under management (2005). Prior to this Mr McGeough was COO and CEO of Mobileaware Limited, an international technology business. Before joining Mobileaware Limited, Mr McGeough was a partner at Matheson, one of Ireland's largest law firms, where he managed the financial services and investment funds practice. Mr McGeough has served as a member of the Department of An Taoiseach's International Banking and Treasury Group and as a member of the Steering Committee of the Advisory Group to the Irish Government in relation to the disposal of the National TV Transmission 36 Network. Mr McGeough is an Honours Graduate of Law (Magna Cum Laude) from University College Dublin Law School, Ireland.

**Hans Wisser** was the Managing Director of Franklin Templeton Investment Services GmbH for the period from March 1995 until his retirement in November 2010, as well as being the Managing Director of Franklin Templeton Investments in Europe from April 2005 until November 2010. Mr Wisser stepped down from this position to pursue personal interests. Mr Wisser is currently the director of several Franklin Templeton Funds and Companies in Europe and remains associated with the Franklin Group in a consultancy role. Prior to joining Franklin Templeton, Mr Wisser served as managing director for James Capel (Deutschland) GmbH and apart from his managing director's responsibilities he was a director of the board of James Capel Europe Ltd. Prior to that, he worked as institutional sales director and a member of the senior management board for ANZ McCaughan Securities (UK) Ltd.; before that he was director of sales for Bain & Company Securities Ltd, in London. In total, he has over thirty years of experience in the financial industry. Mr. Wisser earned his B.A. in economy and commerce from Fachhochschule fuer Wirtschaft in Cologne, Germany.

**Ken Lewis, (U.S.) (Alternate Director to Mr McGowan)** born 1961 joined Franklin Resources Inc. in 1989 and currently serves as Chief Financial Officer. Mr Lewis earned a BSc in Accounting and Economics from the State University of New York.

### **The AIFM**

Franklin Templeton International Services S.à r.l. has been authorised by the Commission de Surveillance du Secteur Financier to act as an AIFM pursuant to the Law of 12 July 2013 and has been appointed by the Company as alternative investment fund manager to perform portfolio and risk management functions as well as activities related to the assets of the Company. The AIFM has delegated the portfolio management services to the Investment Manager. The AIFM and the Investment Manager are members of Franklin Templeton Investments.

The AIFM was incorporated on 17 May 1991 as a société anonyme 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 AIFM will comply at all times with article 12 (Remuneration) of the Law of 12 July 2013.

The share capital of the AIFM is EUR 3,961,413 and will comply at all times with article 8 of the Law of 12 July 2013.

Franklin Templeton International Services S.à r.l. was authorised on 21 November 2013 as a management company managing UCITS and other investment funds and therefore complies with the conditions set out in Chapter 15 of the Law of 17 December 2010. The corporate object of Franklin Templeton International Services S.à r.l. is to provide investment management, administration and marketing services to undertakings for collective investment.

The AIFM is responsible for the portfolio management and the risk management function of the Company. The AIFM is also responsible for ensuring compliance with the AIFMD.

The AIFM covers potential professional liability risks resulting from those activities the AIFM carries out pursuant to the AIFMD, as transposed by the AIFMD Regulations, through 'own funds'.

As of the date of the Prospectus, the AIFM has also been appointed to act as management company and/or alternative investment fund manager for other investments funds the list of which is available, upon request, at the registered office of the Company and of the AIFM.

The AIFM shall ensure compliance of the Company with the investment restrictions and oversee the implementation of the Company's strategies and investment policy.

The AIFM will receive periodic reports from the Investment Manager detailing the Company's performance and analysing its investments. The AIFM will receive similar reports from the other services providers in relation to the services which they provide.

The AIFM Agreement is governed by the laws of Ireland and Ireland shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the AIFM Agreement.



## **The Investment Manager**

The AIFM has appointed Franklin Advisers, Inc. as the Investment Manager of the Company to assist in investing and managing the cash and other assets and investments of the Company. The Investment Manager of the Company also acts as Investment Adviser of the Master Fund. The Investment Manager continuously conducts investment research and is responsible for the purchase, sale or exchange of portfolio assets. The portfolio management team consists of Mark Boyadjian, Madeline Lam and Justin Ma, who are co-lead managers.

Mark Boyadjian is senior vice president and head of the Floating Rate Debt Group. He is the co-lead portfolio manager of Franklin Floating Rate Daily Access Fund, the Franklin Floating Rate Fund plc and the Franklin Templeton Series II Funds ("FTSIIF") sub-fund, named Franklin Floating Rate II Fund, both of which are sold offshore. Mr Boyadjian joined the firm in 1998. Mr Boyadjian holds a BA from the University of California at Berkeley. He is a Chartered Financial Analyst (CFA) Charterholder.

Madeline Lam is a vice president and portfolio manager for Franklin Advisers' Floating Rate Debt Group. She is the co-portfolio manager on Franklin Floating Rate Daily Access Fund, Franklin Floating Rate Fund plc and FTSIIF - Franklin Floating Rate II Fund, both of which are sold offshore. Ms. Lam also co-manages the floating rate investments of Franklin Templeton Limited Duration Income Trust Fund. She is a member of the Investment Committee. Ms. Lam joined the firm in 1998. Prior to joining the firm in 1998, she worked for BNP Paribas as a banking officer in their diversified industries group and an associate in their health care group. Ms. Lam was also an analyst in Chase Manhattan Bank's (now JP Morgan Chase) global energy division. Ms. Lam earned a B.B.A. in finance from the University of Texas at Austin.

Justin Ma is an assistant portfolio manager for Franklin Advisers' Floating Rate Debt Group. He is a portfolio manager on Franklin Floating Rate Daily Access Fund, Franklin Floating Rate Fund plc, and FTSIIF - Franklin Floating Rate II Fund, as well as the floating rate investments of Franklin Templeton Limited Duration Income Trust Fund. Mr. Ma is also a member of the Investment Committee. Mr. Ma joined Franklin Templeton in 2006 as a member of the Futures Program and joined the Floating Rate Debt Group as a portfolio analyst in 2008. Mr. Ma holds a B.A. from Stanford University and is a Chartered Financial Analyst (CFA) Charterholder. He is also a member of the CFA Society of San Francisco (CFASF) and the CFA Institute.

The Investment Manager provides both equity and fixed-income investment supervisory services to investment companies registered with the SEC pursuant to the 1940 Act, and pooled investment vehicles that are exempt from registration under the 1940 Act. It also acts as sub-adviser to investment companies outside the Franklin Templeton Group of Funds.

The Investment Manager provides investment research and portfolio management services, including the selection of the securities to be purchased, held or sold and the selection of brokers through whom the portfolio transactions are executed.

The portfolios under the Investment Manager's management are constantly reviewed by one or more portfolio managers who are responsible to the chief investment officer, either directly or indirectly.

Reports concerning the portfolio transactions and other activities of each investment company client of the Investment Manager are made at each periodic (generally monthly) meeting of the Board of Directors of the investment companies managed by the Investment Manager.

The Investment Management Agreement dated 17 July 2014 between the AIFM, and the Investment Manager, as may be amended from time to time (the "Investment Management Agreement") provides that the Investment Manager, its principals, directors, officers and employees and agents shall not be liable for any loss or damage arising directly or indirectly out of the performance of its duties in the absence of negligence, wilful default, bad faith or fraud. Under the Investment Management Agreement, in no circumstances shall the Investment Manager, its principals, directors, officers, employees and agents be liable for special, indirect or consequential damages, or for lost profits or loss of business, arising out of or in connection with the performance of its duties, or the exercise of its powers. The Investment Manager is obligated under the Investment Management Agreement to indemnify and keep indemnified and hold harmless the AIFM and the Company (and each of their

principals, directors, officers, employees and agents) against any and all claims, actions, proceedings, damages, losses, liabilities, costs and expenses (including reasonable legal fees or expenses) suffered or incurred by the AIFM or the Company in connection with the negligence, wilful default, bad faith or fraud of the Investment Manager or any of its principals, directors, officers, employees and agents in the performance or non-performance of its duties under the Investment Management Agreement.

The Investment Manager may refer transactions for the Company's account to brokers or dealers that refer advisory clients to the Investment Manager or that recommend the purchase of shares of the Fund, provided that in each case, the Investment Manager reasonably seeks and believes the broker or dealer will provide best execution for the transaction. This practice may result in a potential conflict of interest between the Company's interest in obtaining best execution and the Investment Manager's interest in obtaining client referrals and selling additional Shares of the Company. A similar conflict of interest may arise when the Investment Manager causes transactions for the Company to be executed through brokers that provide research services to the Investment Manager and who may charge higher commissions than other brokers. The AIFM shall ensure that the identified potential conflicts of interest be managed and monitored pursuant to the AIFM's Conflicts of Interest Policy including (where relevant) separate chains of command for, and information barriers between, persons responsible for selecting brokers or dealers and fund distribution personnel.

The Investment Management Agreement shall continue in force, unless terminated earlier in accordance with its terms.

The AIFM may terminate the Investment Management Agreement immediately at any time by notice in writing to the other party if the Investment Manager shall at any time during the continuance of the Agreement (i) commit any material breach of the Investment Management Agreement or (ii) commit persistent breaches of the Investment Management Agreement.

The Investment Management Agreement is governed by the laws of Luxembourg and Luxembourg courts shall have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Investment Management Agreement.

### **The Investment Adviser of the Master Fund**

The Master Fund has appointed Franklin Advisers, Inc. (the "Investment Adviser of the Master Fund") to act as adviser to the Master Fund pursuant to an Investment Advisory Agreement dated 24 March 2000 as may be amended from time to time (the "Investment Advisory Agreement") between the Master Fund and the Investment Adviser of the Master Fund.

The Investment Adviser of the Master Fund shall manage the Master Fund's assets subject to and in accordance with the investment objectives and policies of the Master Fund and any directions which the Master Fund Board may issue from time to time. In pursuance of the foregoing, the Investment Adviser of the Master Fund shall make all determinations with respect to the investment of the Master Fund's assets and the purchase and sale of its investment securities, and shall take such steps as may be necessary to implement the same. Such determinations and services shall include determining the manner in which any voting rights, rights to consent to corporate action and any other rights pertaining to the Master Fund's investment securities shall be exercised. The Investment Adviser of the Master Fund shall render or cause to be rendered regular reports to the Master Fund, at regular meetings of the Master Fund Board and at such other times as may be reasonably requested by the Master Fund Board of: (i) the decisions made with respect to the investments of the Master Fund's assets and the purchase and sale of its investment securities and (ii) the reasons for such decisions and (iii) the extent to which those decisions have been implemented.

The Investment Adviser of the Master Fund, subject to and in accordance with any directions which the Master Fund Board may issue from time to time, shall place, in the name of the Master Fund, orders for the execution of the Master Fund's securities transactions. When placing such orders, the Investment Adviser of the Master Fund shall seek to obtain the best net price and execution for the Master Fund, but this requirement shall not be deemed to obligate the Investment Adviser of the Master Fund to place any orders solely on the basis of obtaining the lowest available commission rate if the other standards set forth in this section have been satisfied. The parties recognise that there are

likely to be many places in which different brokers are equally able to provide such best price and execution and that, in selecting among such brokers with respect to particular trades, it is desirable to choose those brokers who furnish research, statistical quotations and other information to the Master Fund and the Investment Adviser of the Master Fund in accordance with the standards set forth below. Moreover, to the extent that it continues to be lawful to do so and so long as the Master Fund Board determines that the Master Fund will benefit, directly or indirectly by so doing, the Investment Adviser of the Master Fund may place orders with a broker who charges a commission for that transaction which is in excess of the amount of commission that other brokers would have charged for effecting that transaction, provided that the excess commission is reasonable in relation to the value of "brokerage and research services" (as defined in section 28 (e) (3) of the Securities Exchange Act of 1934 (as amended) provided by that broker.

Accordingly, the Master Fund and the Investment Adviser of the Master Fund agree that the Investment Adviser of the Master Fund shall select brokers for the execution of the Master Fund's transactions from among:

- (a) Those brokers and dealers who provide quotations and other services to the Master Fund, specifically including the quotations necessary to determine the value of the Master Fund's net assets, in such amount of total brokerage as may reasonably be required in light of such services.
- (b) Those brokers and dealers who supply research, statistical and other data to the Investment Adviser of the Master Fund or its affiliates which the Investment Adviser of the Master Fund or its affiliates may lawfully and appropriately use in their investment advisory capacities, which relate directly to securities, actual or potential, of the Master Fund, or which place the Investment Adviser of the Master Fund in a better position to make decisions in connection with the management of the Master Fund's assets and securities, whether or not such data may also be helpful to the Investment Adviser of the Master Fund and its affiliates in managing other portfolios or advising other clients, in such amount of total brokerage as may reasonably be required, provided that if the Master Fund's officers are satisfied that the best execution is obtained, the sale of common shares of the Master Fund may also be considered as a factor in the selection of brokers-dealers to execute the Master Fund's portfolio transactions.
- (c) When the Investment Adviser of the Master Fund has determined that the Master Fund should tender securities pursuant to a "tender offer solicitation", Franklin/Templeton Distributors, Inc. (for the purpose of this paragraph (c), "Distributors") shall be designated as the "tendering dealer" so long as it is legally permitted to act in such capacity under the federal securities laws and rules thereunder and the rules of any securities exchange or association of which the Distributors may be a member. Neither the Investment Adviser of the Master Fund nor Distributors shall be obligated to make any additional commitments of capital, expense, or personnel beyond that already committed (other than normal periodic fees or payments necessary to maintain its corporate existence and membership in the National Association of Securities Dealers, Inc.) as of the date of the Investment Advisory Agreement. The Investment Advisory Agreement shall not obligate the Investment Adviser of the Master Fund or Distributors (i) to act pursuant to the foregoing requirement under any circumstances in which the Investment Adviser of the Master Fund or the Distributors reasonably believe that liability might be imposed upon them as a result of so acting, or (ii) to institute legal or other proceedings to collect expenses which may be considered due to the Master Fund from others as a result of such a tender, unless the Master Fund shall enter into an agreement with the Investment Adviser of the Master Fund and/or Distributors to reimburse them for all such expenses connected with attempting to collect such fees, including legal fees and expenses in that proportion of the compensation due to their employees which is attributable to the time involved in attempting to collect such fees.

The Investment Adviser of the Master Fund shall tender regular reports to the Master Fund, not more frequently than quarterly, on how much total brokerage business has been placed by the Investment Adviser of the Master Fund, on behalf of the Master Fund, with brokers falling within each of the categories referred to above and the manner in which the allocation has been accomplished.

The Investment Adviser of the Master Fund agrees that no investment decision will be made or influenced by a desire to provide brokerage for allocation in accordance with the foregoing, and that the right to make such allocation of brokerage shall not interfere with the power and duty of the Investment Adviser of the Master Fund to obtain the best net price and execution for the Master Fund.

In the absence of wilful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties under the Investment Advisory Agreement on the part of the Investment Adviser of the Master Fund, the Investment Adviser of the Master Fund shall not be subject to liability to the Master Fund or to any shareholder of the Master Fund for any act or omission in the course of, or connected with, rendering services under the Investment Advisory Agreement or for any losses that may be sustained in the purchase, holding or sale of any security by the Master Fund.

Notwithstanding the foregoing, the Investment Adviser of the Master Fund agrees to reimburse the Master Fund for any and all costs, expenses and counsel and trustees' fees reasonably incurred by the Master Fund in the preparation, printing and distribution of proxy statements, amendments to its registration statement, holdings of meeting of its shareholders or trustees, the conduct of factual investigations, any legal or administrative proceedings (including any applications for exemptions or determinations by the SEC) which the Master Fund incurs as a result of action or inaction of the Investment Adviser of the Master Fund or any of its affiliates or any of their officers, directors, employees or stockholders where the action or inaction necessitating such expenditures (i) is directly or indirectly related to any transactions or proposed transactions in the stock or control of the Investment Adviser of the Master Fund or its affiliates (or litigation related to any pending or proposed or future transaction in such shares or control) which shall have been undertaken without the prior, express approval of the Master Fund Board; or, (ii) is within the control of the Investment Adviser of the Master Fund or any of its affiliates or any of their officers, directors, employees or stockholders. The Investment Adviser of the Master Fund shall not be obligated to reimburse the Master Fund for any expenditures related to the institution of an administrative proceeding or civil litigation by the Master Fund or a shareholder of the Master Fund seeking to recover all or a portion of the proceeds derived by any stockholder of the Investment Adviser of the Master Fund or any of its affiliates from the sale of his shares of the Investment Adviser of the Master Fund, or similar matters. So long as the Investment Advisory Agreement is in effect, the Investment Adviser of the Master Fund shall pay to the Master Fund the amount due for expenses within thirty (30) days after a bill or statement has been received by the Investment Adviser of the Master Fund therefor. This provision shall not be deemed to be a waiver of any claim the Master Fund may have or may assert against the Investment Adviser of the Master Fund or others for costs, expenses or damages hereto incurred by the Master Fund or for costs, expenses or damages the Master Fund may hereafter incur which are not reimbursable to it under the Investment Advisory Agreement.

The Investment Advisory Agreement became effective on the 24 March 2000 and shall continue in effect thereafter for periods not exceeding one (1) year so long as such continuation is approved at least annually (i) by a majority of the outstanding voting securities of the Master Fund or by a vote of the Master Fund Board, and (ii) by a vote of a majority of the Master Fund Board who are not parties to the Investment Advisory Agreement (other than as Trustees of the Trust), cast in person at a meeting called for the purpose of voting on the Investment Advisory Agreement.

The Investment Advisory Agreement: (i) may be terminated without payment of any penalty either by vote of the Master Fund Board or by a vote of a majority of the outstanding voting securities of the Master Fund on sixty (60) days' written notice to the Investment Adviser of the Master Fund; (ii) shall immediately terminate with respect to the Master Fund in the event of an assignment; and (iii) may be terminated by the Investment Adviser of the Master Fund on sixty (60) days' written notice to the Master Fund. The terms "assignment", "interested person" and "vote of a majority of the outstanding voting securities" shall have the meanings set forth for any such terms in the 1940 Act. Any notice under the Investment Advisory Agreement shall be given in writing addressed and delivered, or mailed post-paid, to the other party at any office of such party. Unless otherwise agreed by the Investment Adviser of the Master Fund, upon termination of the Investment Advisory Agreement, the Master Fund shall cease to use the "Franklin" name and logo.

## **The Administrator**

The Company has appointed J.P. Morgan Administration Services (Ireland) Limited to act as administrator and registrar and transfer agent to the Company and will provide accounting, NAV calculation, fund administration and transfer agency services to the Company.

The Administration Agreement between the Company and the Administrator dated 31 July 2009, as amended on 17 July 2014 and as may be further amended from time to time (the “Administration Agreement”) was in force for an initial term of two years and automatically renewed for an indefinite term thereafter, unless and until terminated by either party thereto on three months’ notice in writing to the other party.

In addition, either party may terminate the Administration Agreement immediately upon written notice to the other party (a) if the other party is declared insolvent, enters into a composition with creditors, obtains a suspension of payment, is put under court controlled management or is the subject of a similar measure; (b) if the other party has its authorisation withdrawn by the Central Bank or any other competent supervisory authority; (c) if the other party commits any material breach of the Administration Agreement and fails to remedy such breach (if capable of remedy) within thirty days of being given written notice of the material breach, unless the parties agree to extend the period to remedy the breach or (d) in certain other circumstances set out in the Administration Agreement.

Under the Administration Agreement, the Administrator will not be liable for any loss or damage suffered by the Company with respect to any matter as to which the Administrator 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 Administrator. The Company has agreed to indemnify the Administrator (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 Administrator (or its affiliates and nominees, and their respective directors, officers, employees and agents) in connection with or arising out of the Administrator’s performance under the Administration Agreement, provided the Administrator (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.

The Administration Agreement is governed by the laws of Ireland and Irish courts shall have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Administration Agreement.

## **The Administrator of the Master Fund**

The Master Fund has appointed Franklin Templeton Services LLC (“FT Services”) (the “Administrator of the Master Fund”) to act as Administrator of the Master Fund pursuant to an amended and restated administrative services agreement dated 28 February 2012 between the Master Fund and the Administrator of the Master Fund, as may be further amended from time to time (the “Master Administration Agreement”).

The Administrator of the Master Fund provides certain administrative services and facilities for the Master Fund. These include preparing and maintaining books, records and tax and financial reports and monitoring compliance with regulatory requirements.

The Master Administration Agreement may be terminated by the Master Fund on sixty (60) days’ written notice without payment of penalty, provided that such termination by the Master Fund shall be directed and approved by the vote of a majority of the outstanding securities of the Master Fund; and shall automatically and immediately terminate in the event of its assignment (as defined by the 1940 Act).

In the absence of wilful misfeasance, bad faith or gross negligence on the part of the Administrator of the Master Fund, or of reckless disregard of its duties and obligations hereunder, the Administrator

shall not be subject to liability for any act or omission in the course of, or connected with, rendering services hereunder.

Franklin Templeton Investor Services LLC, ("Investor Services") is the Master Fund's shareholder servicing agent and acts as the Master Fund's transfer agent and dividend-paying agent.

## **The Depositary**

The Company has appointed J.P. Morgan Bank (Ireland) plc (formerly Chase Manhattan Bank (Ireland) plc) (the "Depositary") to act as depositary of all of the Company's assets pursuant to an amended and restated Depositary and Custodian Agreement dated 17 July 2014 between the Company, the AIFM and the Depositary, as may be further amended from time to time (the "Depositary Agreement").

The Depositary was incorporated in Ireland as a limited liability company on 30 November 1926. The Depositary is ultimately a wholly-owned subsidiary of J.P. Morgan Chase & Co. of Delaware, U.S.A. One of the principal activities of the Depositary is to act as depositary and trustee of collective investment schemes.

The Depositary Agreement is governed by the laws of Ireland and Irish courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Depositary Agreement.

The Depositary Agreement contains provisions governing the responsibilities of the Depositary, including its primary responsibilities which are acting as depositary and ensuring the safekeeping of the cash and assets of the Company. The Depositary is obliged to enquire into the conduct of the Company in each financial year and to report thereon to the Shareholders whether in the Depositary's opinion the Company has been managed in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Central Bank under the powers granted to the Central Bank under the Act and otherwise in accordance with the provisions of the Articles and the Act.

Under the Act and the Depositary Agreement the Depositary must exercise due care and diligence in the discharge of its duties and shall be liable to the Company and the Shareholders for any loss arising from the Depositary's negligence or its intentional failure to properly fulfil its obligations pursuant to the AIFMD. The Depositary shall not be liable to the Company or any other person if it can prove that the loss of financial instruments held in custody 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 pursuant to the AIFMD. The Depositary must maintain an appropriate level of supervision over the safekeeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged. The Depositary may, with the prior written consent of the Company, discharge itself of liability in certain circumstances as provided in the Depositary Agreement. The Depositary has not currently contractually discharged itself of liability in accordance with the AIFMD Regulations. The AIFM will inform investors before they invest in the Company of any arrangement made by the Depositary to contractually discharge itself of any liability. The AIFM will also inform Shareholders of any changes with respect to the Depositary's liability without delay. The Company has agreed under the Depositary Agreement to hold harmless and indemnify the Depositary against all loss, liability, claims and demands arising from the communication of proper instructions reasonably and in good faith by facsimile, orally or by any other means of communication, including any failure to confirm the oral instructions received or for any failure of the confirmation to conform with the said oral instructions. The Company have undertaken to hold harmless and indemnify the Depositary against all actions, proceedings and claims (including claims of any person purporting to be the beneficial owner of any part of the relevant assets) and against all costs, demands and expenses (including legal and professional expenses) arising therefrom which may be brought against, suffered or incurred by the Depositary by reason of the performance of the Depositary's duties under the terms of the Depositary Agreement save where any such actions, proceedings, claims, costs, demands or expenses arise as a result of the Depositary's negligence, fraud or wilful default in the performance of its duties or the loss of financial instruments held in custody. The Depositary shall be kept indemnified by and shall be without liability to the Company for any obligations including taxes, withholding and reporting

requirements, claims for exemption or refund, additions for late payment, interest, penalties and other expenses (including legal expenses) that may be assessed against the Company or the Depositary as Depositary of the Company.

The Depositary Agreement shall continue in force and may be terminated by either of the parties on giving ninety (90) days' prior written notice to the other parties. Either party may also terminate the Depositary Agreement by notice in writing to the other parties if (i) the party notified shall go into liquidation, or be the subject of a court order for its winding up; be the subject of an effective resolution for its winding up except in relation to a voluntary winding up for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party; be unable to pay its debts as they fall due or otherwise become insolvent or enter into composition or arrangement with or for the benefit of its creditors or any class thereof; (ii) the party is the subject of an involuntary order for the transfer of all or part of its business by a statutory authority; (iii) have any of its issued shares suspended from trading on any exchange on which they are issued (if applicable); (iv) the party notified shall commit any material breach of the provisions of the Depositary Agreement and shall not have remedied that within thirty (30) days after the service of written notice requiring it to be remedied; or (v) the authorisation of the AIFM, Depositary or the Company has been revoked by the relevant authority; or the AIFM ceases to be the manager of the Company without the consent of the Depositary or ceases to be qualified to act as such under the AIFMD Regulations.

The Company may not terminate the appointment of the Depositary and the Depositary may not retire from such appointment unless and until a successor custodian and depositary shall have been appointed in accordance with the Articles and the Act and approved by the Central Bank. If the Depositary shall have given to the Company notice of its desire to retire from its appointment or the appointment of the Depositary is terminated pursuant to the terms of the Depositary Agreement and no successor shall have been appointed in accordance with the Articles within ninety (90) days or such other period as may be agreed between the parties from the giving of such notice to the Company, the Company shall redeem all outstanding Shares or appoint a liquidator who shall wind up the Company and shall apply, thereafter, to the Central Bank to revoke the authorisation of the Company. The Depositary's appointment shall not terminate until such revocation.

The Depositary's duties include, amongst others, the following:

- (i) ensuring that the Company's cash flows are properly monitored, and that all payments made by or on behalf of investors upon the subscription of Shares have been received;
- (ii) safekeeping the assets of the Company, which includes (a) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary; and (b) for other assets, verifying the ownership of such assets and maintaining a record accordingly (the "Safekeeping Function");
- (iii) ensuring that the sale, issue, re-purchase, redemption and cancellation of Shares are carried out in accordance with applicable Irish law and the Articles;
- (iv) ensuring that the value of the Shares is calculated in accordance with the applicable laws and the Articles;
- (v) carrying out the instructions of the Company and the AIFM, unless they conflict with the applicable Irish law or the Articles;
- (vi) ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits; and
- (vii) ensuring that the Company's income is applied in accordance with the applicable Irish law and the Articles.

The Depositary will comply with applicable laws, including the provisions of the AIFMD that relate to depositary roles and responsibilities in relation to the Company.

The Depositary may enter into written agreements delegating the performance of its Safekeeping Function in respect of certain investments. The liability of the Depositary will not be affected by the fact that it has entrusted the Safekeeping Function to a third party.

### **The Custodian of the Master Fund**

The Master Fund has appointed The Bank of New York Mutual Fund Division, 90 Washington Street, New York, NY10286 (the "Custodian of the Master Fund") to act as Custodian of all of the Master Fund's assets pursuant to a Master Custody Agreement dated 16 February, 1996, as amended, between the Master Fund and the Bank of New York (the "Master Custodian Agreement"), including cash denominated in US dollars or foreign currency ("cash"), securities the Master Fund desires to be held within the United States ("Domestic Securities") and securities it desires to be held outside the United States ("Foreign Securities").

The Custodian of the Master Fund shall hold and physically segregate from any property owned by the Custodian, for the account of the Master Fund, all non-cash property delivered by the Master Fund to the Custodian other than securities which are held through a registered clearing agency, a registered securities depository, the Federal Reserve's book-entry securities system or held by a sub-custodian or in a foreign securities depository appointed by the Custodian of the Master Fund or a duly appointed delegate of the Custodian of the Master Fund. The assets segregated by the Custodian of the Master Fund, for the account of the Master Fund, will not be available to the Custodian of the Master Fund or its creditors in the event of insolvency.

The Custodian of the Master Fund shall open and maintain a separate bank account for the Master Fund subject only to draft or order by the Custodian acting pursuant to the terms of the Master Custodian Agreement and shall hold in such account or accounts all cash received by it hereunder from or for the account of the Master Fund.

The Custodian of the Master Fund shall be responsible for the performance of only such duties as are set forth in the Master Custodian Agreement or contained in proper instructions and shall use reasonable care in carrying out such duties. The Custodian of the Master Fund shall be liable to the Master Fund for any loss which shall occur as a result of failure of any sub-custodian engaged directly or indirectly by the Master Fund Custodian to exercise reasonable care with respect to the safekeeping of securities and other assets of the Master Fund to the same extent that the Custodian of the Master Fund would be liable to the Master Fund if the Custodian of the Master Fund itself were holding such securities and other assets. Nothing in the Master Custodian Agreement shall be read to limit the responsibility or liability of the Master Fund Custodian or a sub-custodian for their failure to exercise reasonable care with regard to any decision or recommendation made by the Master Fund Custodian or sub-custodian regarding the use or continued use of Foreign Securities Depositories or Clearing Agencies (each a "Foreign Securities Depository") appointed by the Custodian of the Master Fund or duly appointed delegate of the Custodian of the Master Fund. In the event of any loss to the Master Fund by reason of the failure of the Master Fund Custodian or a sub-custodian to utilise reasonable care, the Master Custodian shall be liable to the Master Fund to the extent of the Master Fund's damages, to be determined based on the market value of the property which is the subject of the loss at the date of discovery of such loss and without reference to any special conditions or circumstances. The Master Custodian shall be held to the exercise of reasonable care in carrying out the Master Custodian Agreement, and shall not be liable for acts or omissions unless the same constitute negligence or wilful misconduct on the part of the Custodian of the Master Fund or any sub-custodian engaged directly or indirectly by the Custodian of the Master Fund. The Master Fund agrees to indemnify and hold harmless the Custodian of the Master Fund and its nominees from all taxes, charges, expenses, assessments, claims and liabilities (including legal fees and expenses) incurred by the Custodian of the Master Fund or its nominees in connection with the performance of the Master Custodian Agreement with respect to the Master Fund, except such as may arise from any negligent action, negligent failure to act or wilful misconduct on the part of the Custodian of the Master Fund or any sub-custodian. The Custodian of the Master Fund shall be entitled to rely, and may act, on advice of counsel (who may be counsel for the Master Fund) on all matters and shall be without liability for any action reasonably taken or omitted pursuant to such advice. The Custodian of the Master Fund need not maintain any insurance for the benefit of the Master Fund.



The Master Custodian Agreement may be terminated by the Master Fund or by the Custodian of the Master Fund by ninety days' notice in writing to the other, provided that any termination by the Master Fund shall be authorised by a resolution of the Master Fund Board, a certified copy of which shall accompany such notice of termination; and provided further, that such resolution shall specify the names of the persons to whom the Custodian of the Master Fund shall deliver the assets of the Master Fund held by the Custodian of the Master Fund. If notice of termination is given by the Custodian of the Master Fund, the Master Fund shall, within ninety days following the giving of such notice, deliver to the Custodian of the Master Fund a certified copy of the resolution of the Master Fund Board specifying the names of the persons to whom the Custodian of the Master Fund shall deliver assets of the Master Fund held by the Custodian of the Master Fund. In either case the Custodian of the Master Fund will deliver such assets to the persons so specified, after deducting therefrom any amounts which the Custodian of the Master Fund determines to be owed to it (including all costs and expenses of delivery or transfer of Master Fund assets to the persons so specified). If within ninety days following the giving of a notice of termination by the Custodian of the Master Fund, the Custodian of the Master Fund does not receive from the Master Fund a certified copy of the resolution of the Master Fund Board specifying the names of the persons to whom the Custodian of the Master Fund shall deliver the assets of the Master Fund held by the Custodian of the Master Fund, the Custodian of the Master Fund, at its election, may deliver such assets to a bank or trust company doing business in the State of California to be held and disposed of pursuant to the provisions of the Master Custodian Agreement or may continue to hold such assets until a certified copy of the resolution as aforesaid is delivered to the Custodian of the Master Fund. The obligations of the parties regarding the use of reasonable care, indemnities and payment of fees and expenses shall survive the termination of the Master Custodian Agreement.

The Master Fund Custodian may appoint other entities to hold assets of the Master Fund ("sub-custodians"), provided that it will exercise reasonable skill, care and diligence in the selection of suitable sub-custodians and shall be responsible to the Master Fund for the duration of any sub-custody agreement for satisfying itself as to the ongoing suitability of the sub-custodian to provide custody services to the Master Fund. The Master Fund Custodian will maintain an appropriate level of supervision over any sub-custodian and will make appropriate enquiries, periodically, to confirm that the obligations of the sub-custodian continue to be completely discharged. If the Custodian of the Master Fund fulfils such responsibility, the Master Fund Custodian will not be responsible for loss of any assets held by any sub-custodian.

The Master Fund may invest in markets where custodial/settlement systems are not fully developed, the assets of the Master Fund which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary. In such circumstances the Master Fund's asset may be exposed to risk in circumstances where the Master Fund Custodian will have no liability. Prospective Investors are referred to the section headed "Risk Factors".

### **Distributor**

Franklin Templeton International Services S.à r.l, will also act as distributor to the Company subject to the provisions of the AIFM Agreement with responsibility for the marketing, distribution and selling of Shares.

### **Shareholder Services Agent**

The Company has also appointed Franklin Templeton International Services S.à r.l. to act as shareholder services agent to the Company.

The shareholder services agreement between the Company and the Shareholder Services Agent dated 23 February 2010 as may be amended from time to time (the "Shareholder Services Agreement") was in effect for an initial term of two years (the "Initial Term") and automatically renewed for an indefinite period of time following the end of the Initial Term unless and until it is terminated by either party through the provision of at least three months' prior notice to the other party.

The shareholder services agreement is governed by the laws of Ireland and Irish courts shall have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the shareholder services agreement.

### **Paying and Distribution Agent**

Pursuant to commission paying and distribution agreements each dated 29 September 2006, as novated on 30 January 2015, as may be amended from time to time (the “CPD Agreement”), the Company and the Distributor (and a sub-distributor) have appointed SG Constellation One, Inc. of 1221 Avenue of the Americas, New York, NY 10020 USA (the “Commission Payer”) to act as a commission payer for the sale of Class B and Class C Shares of the Company.

Pursuant to the terms of the CPD Agreement, the Commission Payer will agree to pay certain up-front commissions to sub-distributors, intermediaries and/or dealers in relation to the distribution and sale of Class B and Class C Shares. In consideration of such payments, the Distributor (and the sub-distributor) will direct the Company (and the Company will agree) to pay the distribution fees and CDSC, if applicable, which the Distributor is entitled to receive directly to the Commission Payer (or its assignee). The Distributor (and the sub-distributor) have waived the Distributor’s entitlement to receive these fees from the Company so long as they continue to be payable to the Commission Payer (or its assignee) under the CPD Agreement. The fees payable to the Commission Payer will not exceed the fees which would otherwise be payable to the Distributor in respect of such Class B and Class C Shares. Under the CPD Agreement, the Company has agreed to bear the cost of any tax applicable to any amounts payable to the commission payer (other than any tax levied on the net income of the commission payer). It is not envisaged that any such tax will be payable. In case any such tax is payable, the Distributor (and the sub-distributor) will cause the Investment Manager to waive all or a portion of the investment management fees, administrative fees, shareholder maintenance fees or other fees payable to such Investment Manager. If the Company should have to bear such cost, the cost would be a liability imposed pro-rata (based on asset size) against the assets of the Company attributable respectively to Class B and Class C Shares.

Pursuant to the terms of the CPD Agreement, the Company, the Distributor (and the sub-distributor) have agreed severally to indemnify and hold harmless the Commission Payer and each of its affiliates and their respective officers, directors, employees, agents, and advisers, and any person controlling any of the foregoing (each an “Indemnified Party”) from and against (collectively, but without duplication) any and all liabilities that may be incurred by, or asserted or awarded against, an Indemnified Party, in various circumstances set out therein, provided however, the Company, the Distributor and the sub-distributor shall not be required to indemnify any Indemnified Party in respect of any liability if and to the extent such liability resulted primarily from any Indemnified Party’s gross negligence or wilful misconduct, or in certain other circumstances described in the CPD Agreement. The sole liability of the Company under the indemnity provided in the CPD Agreement is limited to any liability resulting from the Company’s failure to perform its obligations under the CPD Agreement or to comply with or observe any provision of the CPD Agreement applicable to the Company.

The CPD Agreement is governed by the laws of the State of New York and New York courts shall have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the CPD Agreement.

### **Legal Advisers**

The legal advisers to the Company as to matters of Irish law are Matheson of 70 Sir John Rogerson’s Quay, Dublin 2, Ireland.

### **Auditors**

PricewaterhouseCoopers have consented to act as auditors to the Company. The Auditor’s responsibility is to audit and express an opinion on the financial statements of the Company in accordance with applicable law and auditing standards.

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## TAXATION

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**The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of Shares. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant. The summary relates only to the position of persons who are the absolute beneficial owners of Shares and may not apply to certain other classes of persons.**

**The summary is based on Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this Prospectus (and is subject to any prospective or retroactive change). Potential investors in Shares should consult their own advisors as to the Irish or other tax consequences of the purchase, ownership and disposal of Shares.**

### **Taxation of the Company**

The Company intends to conduct its affairs so that it is Irish tax resident. On the basis that the Company is Irish tax resident, the Company qualifies as an 'investment undertaking' for Irish tax purposes and, consequently, is exempt from Irish corporation tax on its income and gains.

The Company will be obliged to account for Irish income tax to the Irish Revenue Commissioners if Shares are held by non-exempt Irish resident Shareholders (and in certain other circumstances), as described below. Explanations of the terms '*resident*' and '*ordinarily resident*' are set out at the end of this summary.

Distributions of income and capital gains on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Company may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation treaties in operation between Ireland and other countries. The Company may not therefore be able to reclaim withholding tax suffered by it in particular countries. If this position changes in the future and the application of a lower rate results in a repayment to the Company, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the then-existing Shareholders rateably at the time of repayment.

### **Taxation of non-Irish Shareholders**

Where a Shareholder is not resident (or ordinarily resident) in Ireland for Irish tax purposes, the Company will not deduct any Irish tax in respect of the Shareholder's Shares once the declaration set out in the application form has been received by the Company confirming the Shareholder's non-resident status. The declaration may be provided by an Intermediary who holds Shares on behalf of investors who are not resident (or ordinarily resident) in Ireland, provided that, to the best of the Intermediary's knowledge, the investors are not resident (or ordinarily resident) in Ireland. An explanation of the term '*Intermediary*' is set out at the end of this summary.

If this declaration is not received by the Company, the Company will deduct Irish tax in respect of the Shareholder's Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). The Company will also deduct Irish tax if the Company has information which reasonably suggests that a Shareholder's declaration is incorrect. A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a company and holds the Shares through an Irish branch and in certain other limited circumstances. The Company must be informed if a Shareholder becomes Irish tax resident.

Generally, Shareholders who are not Irish tax resident will have no other Irish tax liability with respect to their Shares. However, if a Shareholder is a company which holds its Shares through an Irish branch or agency, the Shareholder may be liable to Irish corporation tax in respect of profits and gains arising in respect of the Shares (on a self-assessment basis).

### **Taxation of exempt Irish Shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and falls within any of the categories listed in section 739D(6) TCA, the Company will not deduct Irish tax in respect of

the Shareholder's Shares once the declaration set out in the application form has been received by the Company confirming the Shareholder's exempt status.

The categories listed in section 739D(6) TCA can be summarised as follows:

1. Pension schemes (within the meaning of section 774, section 784 or section 785 TCA).
2. Companies carrying on life assurance business (within the meaning of section 706 TCA).
3. Investment undertakings (within the meaning of section 739B TCA).
4. Investment limited partnerships (within the meaning of section 739J TCA).
5. Special investment schemes (within the meaning of section 737 TCA).
6. Unauthorised unit trust schemes (to which section 731(5)(a) TCA applies).
7. Charities (within the meaning of section 739D(6)(f)(i) TCA).
8. Qualifying managing companies (within the meaning of section 734(1) TCA).
9. Specified companies (within the meaning of section 734(1) TCA).
10. Qualifying fund and savings managers (within the meaning of section 739D(6)(h) TCA).
11. Personal Retirement Savings Account (PRSA) administrators (within the meaning of section 739D(6)(i) TCA).
12. Irish credit unions (within the meaning of section 2 of the Credit Union Act 1997).
13. The National Asset Management Agency.
14. The National Pensions Reserve Fund Commission or a Commission investment vehicle.
15. Qualifying companies (within the meaning of section 110 TCA).
16. Any other person resident in Ireland who is permitted (whether by legislation or by the express concession of the Irish Revenue Commissioners) to hold Shares in the Company without requiring the Company to deduct or account for Irish tax.

Irish resident Shareholders who claim exempt status will be obliged to account for any Irish tax due in respect of Shares on a self-assessment basis.

If this declaration is not received by the Company in respect of a Shareholder, the Company will deduct Irish tax in respect of the Shareholder's Shares as if the Shareholder was a non-exempt Irish resident Shareholder (see below). A Shareholder will generally have no entitlement to recover such Irish tax, unless the Shareholder is a company within the charge to Irish corporation tax and in certain other limited circumstances.

### **Taxation of other Irish Shareholders**

Where a Shareholder is resident (or ordinarily resident) in Ireland for Irish tax purposes and is not an 'exempt' Shareholder (see above), the Company will deduct Irish tax on distributions, redemptions and transfers and, additionally, on 'eighth anniversary' events, as described below.

#### *Distributions by the Company*

If the Company pays a distribution to a non-exempt Irish resident Shareholder, the Company will deduct Irish tax from the distribution. The amount of Irish tax deducted will be:

1. 25% of the distribution, where the distributions are paid to a Shareholder who is a company which has made the appropriate declaration for the 25% rate to apply; and
2. 41% of the distribution, in all other cases.

The Company will pay this deducted tax to the Irish Revenue Commissioners.

Generally, a Shareholder will have no further Irish tax liability in respect of the distribution. However, if the Shareholder is a company for which the distribution is a trading receipt, the gross distribution (including the Irish tax deducted) will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

#### *Redemptions and transfers of shares*

If the Company redeems Shares held by a non-exempt Irish resident Shareholder, the Company will deduct Irish tax from the redemption payment made to the Shareholder. Similarly, if such an Irish resident Shareholder transfers (by sale or otherwise) an entitlement to Shares, the Company will account for Irish tax in respect of that transfer. The amount of Irish tax deducted or accounted for will be calculated by reference to the gain (if any) which has accrued to the Shareholder on the Shares being redeemed or transferred and will be equal to:

1. 25% of such gain, where the Shareholder is a company which has made the appropriate declaration for the 25% rate to apply; and
2. 41% of the gain, in all other cases.

The Company will pay this deducted tax to the Irish Revenue Commissioners. In the case of a transfer of Shares, to fund this Irish tax liability the Company may appropriate or cancel other Shares held by the Shareholder. This may result in further Irish tax becoming due.

Generally, a Shareholder will have no further Irish tax liability in respect of the redemption or transfer. However, if the Shareholder is a company for which the redemption or transfer payment is a trading receipt, the gross payment (including the Irish tax deducted) less the cost of acquiring the Shares will form part of its taxable income for self-assessment purposes and the Shareholder may set off the deducted tax against its corporation tax liability.

If Shares are not denominated in Euro, a Shareholder may be liable (on a self-assessment basis) to Irish capital gains taxation on any currency gain arising on the redemption or transfer of the Shares.

#### *Eighth Anniversary' Events*

If a non-exempt Irish resident Shareholder does not dispose of Shares within eight years of acquiring them, the Shareholder will be deemed for Irish tax purposes to have disposed of the Shares on the eighth anniversary of their acquisition (and any subsequent eighth anniversary). On such deemed disposal, the Company will account for Irish tax in respect of the increase in value (if any) of those Shares over that eight year period. The amount of Irish tax accounted for will be equal to:

1. 25% of such increase in value, where the Shareholder is a company which has made the appropriate declaration for the 25% rate to apply; and
2. 41% of the increase in value, in all other cases.

The Company will pay this tax to the Irish Revenue Commissioners. To fund the Irish tax liability, the Company may appropriate or cancel Shares held by the Shareholder.

However, if less than 10% of the Shares (by value) in the Company are held by non-exempt Irish resident Shareholders, the Company may elect not to account for Irish tax on this deemed disposal. To claim this election, the Company must:

1. confirm to the Irish Revenue Commissioners, on an annual basis, that this 10% requirement is satisfied and provide the Irish Revenue Commissioners with details of any non-exempt Irish resident Shareholders (including the value of their Shares and their Irish tax reference numbers); and
2. notify any non-exempt Irish resident Shareholders that the Company is electing to claim this exemption.

If the exemption is claimed by the Company, any non-exempt Irish resident Shareholders must pay to the Irish Revenue Commissioners on a self-assessment basis the Irish tax which would otherwise have been payable by the Company on the eighth anniversary (and any subsequent eighth anniversary).

Any Irish tax paid in respect of the increase in value of Shares over the eight year period may be set off on a proportionate basis against any future Irish tax which would otherwise be payable in respect of those Shares and any excess may be recovered on an ultimate disposal of the Shares.

### *Share exchanges*

Where a Shareholder exchanges Shares on arm's length terms for other Shares in the Company and no payment is received by the Shareholder, the Company will not deduct Irish tax in respect of the exchange.

### **Stamp duty**

No Irish stamp duty (or other Irish transfer tax) will apply to the issue, transfer or redemption of Shares. If a Shareholder receives a distribution *in specie* of assets from the Company, a charge to Irish stamp duty could potentially arise.

### **Gift and Inheritance Tax**

Irish capital acquisitions tax (at a rate of 33%) can apply to gifts or inheritances of Irish situate assets or where either the person from whom the gift or inheritance is taken is Irish domiciled, resident or ordinarily resident or the person taking the gift or inheritance is Irish resident or ordinarily resident.

The Shares could be treated as Irish situate assets because they have been issued by an Irish company. However, any gift or inheritance of Shares will be exempt from Irish gift or inheritance tax once:

1. the Shares are comprised in the gift or inheritance both at the date of the gift or inheritance and at the 'valuation date' (as defined for Irish capital acquisitions tax purposes);
2. the person from whom the gift or inheritance is taken is neither domiciled nor ordinarily resident in Ireland at the date of the disposition; and
3. the person taking the gift or inheritance is neither domiciled nor ordinarily resident in Ireland at the date of the gift or inheritance.

### **OECD Common Reporting Standard**

The automatic exchange of information regime known as the "*Common Reporting Standard*" developed by the Organisation for Economic Co-operation and Development applies in Ireland. Under this regime, the Company is required to report information to the Irish Revenue Commissioners relating to all Shareholders, including the identity, residence and tax identification number of Shareholders and details as to the amount of income and sale or redemption proceeds received by Shareholders in respect of the Shares. This information may then be shared by the Irish Revenue Commissioners with tax authorities in other EU member states and other jurisdictions which implement the OECD Common Reporting Standard.

The OECD Common Reporting Standard replaces the previous European information reporting regime in respect of savings income under Directive 2003/48/EC (commonly known as the EU Savings Directive regime).

## **Meaning of Terms**

### *Meaning of 'Residence' for Companies*

A company which has its central management and control in Ireland is tax resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which was incorporated in Ireland on or after 1 January 2015 is tax resident in Ireland except where the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

A company which does not have its central management and control in Ireland but which was incorporated before 1 January 2015 in Ireland is resident in Ireland except where:

1. the company (or a related company) carries on a trade in Ireland and either the company is ultimately controlled by persons resident in EU member states or in countries with which Ireland has a double tax treaty, or the company (or a related company) are quoted companies on a recognised stock exchange in the EU or in a tax treaty country; or
2. the company is regarded as not resident in Ireland under a double tax treaty between Ireland and another country.

Finally, a company that was incorporated in Ireland before 1 January 2015 will also be regarded as resident in Ireland if the company is (i) managed and controlled in a territory with which a double taxation agreement with Ireland is in force (a 'relevant territory'), and such management and control would have been sufficient, if exercised in Ireland, to make the company Irish tax resident; and (ii) the company would have been tax resident in that relevant territory under its laws had it been incorporated there; and (iii) the company would not otherwise be regarded by virtue of the law of any territory as resident in that territory for the purposes of tax.

### *Meaning of 'Residence' for Individuals*

An individual will be regarded as being tax resident in Ireland for a calendar year if the individual:

1. spends 183 days or more in Ireland in that calendar year; or
2. has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that calendar year together with the number of days spent in Ireland in the preceding year. Presence in Ireland by an individual of not more than 30 days in a calendar year will not be reckoned for the purposes of applying this 'two year' test.

An individual is treated as present in Ireland for a day if that individual is personally present in Ireland at any time during that day.

### *Meaning of 'Ordinary Residence' for Individuals*

The term 'ordinary residence' (as distinct from 'residence') relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity. An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive tax year in which the individual is not resident. For example, an individual who is resident and ordinarily resident in Ireland in 2015 and departs Ireland in that year will remain ordinarily resident in Ireland up to the end of the tax year in 2018.

### *Meaning of 'Intermediary'*

An 'intermediary' means a person who:

1. carries on a business which consists of, or includes, the receipt of payments from a regulated investment undertaking resident in Ireland on behalf of other persons; or
2. holds units in such an investment undertaking on behalf of other persons.

## **MASTER FUND**

### *Taxation of the Master Fund*

#### **DISREGARDED ENTITY TAX STATUS**

The Master Fund should be treated as a disregarded entity for U.S. federal income tax purposes based on the Master Fund's organisational documents and the manner in which it intends to operate. The Master Fund will not be a "regulated investment company".

#### **TAXATION OF DISREGARDED ENTITY OPERATIONS GENERALLY**

As a disregarded entity, the Master Fund is disregarded as an entity separate from its sole shareholder and is treated as a division or branch of the sole shareholder. The shareholder is treated as owning the Master Fund's assets directly for U.S. federal income tax purposes. If, contrary to expectations, the Master Fund admits one or more additional shareholders so that it has two or more shareholders, the Master Fund would convert to an entity taxable as a new partnership for U.S. federal income tax purposes.

#### **ALLOCATION OF DISREGARDED ENTITY INCOME, GAINS AND LOSSES**

As a disregarded entity, the Master Fund is not subject to U.S. federal income tax. Instead, its sole shareholder reports separately, on its own income tax return, the Master Fund's income, gains, losses, deductions and credits as such items are realised (including foreign tax credits or deductions for creditable or deductible foreign taxes imposed on the Master Fund).

#### **DISTRIBUTIONS BY THE MASTER FUND; REDEMPTIONS**

Cash distributions by the Master Fund to its sole shareholder are a non-event for U.S. federal income tax purposes and, therefore, result in no income or gain to its sole shareholder. The redemption by the sole shareholder of Master Fund shares is a non-event for U.S. federal income tax purposes and, therefore, results in no income or gain to its sole shareholder.



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## FEES AND EXPENSES

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### **Fees of the Master Fund**

As an investor in the Master Fund, the Company will be indirectly subject to all of the fees of the Master Fund as set out below in the section headed "Fees Chargeable by the Master Fund".

### **Investment Management Fees**

The Investment Adviser of the Master Fund has agreed to waive any preliminary charge/initial charge that it may otherwise be entitled to receive in respect of any investment made by the Company in the Master Fund. If the AIFM or Investment Manager receives any commission by virtue of an investment in the Master Fund, such commission will be paid into the assets of the Company. The AIFM/Investment Manager may from time to time pay a part of its investment management fee to various sub-distributors, intermediaries, dealers and/or professional investors as compensation for rendering shareholder services to their respective clients.

### **Administration Fees**

The Company will pay a fee of up to 0.60% per annum of the average daily Net Asset Value of the Company in respect of accounting, NAV calculation, fund administration, transfer agency and shareholder services. These fees shall be accrued daily and paid monthly in arrears.

The Administrator shall also be entitled to be reimbursed by the Company for all reasonable fees, disbursements and customary, extraordinary or out-of-pocket expenses incurred by it in connection with the ongoing business of the Company and the execution of its duties under the Administration Agreement.

### **Depositary Fees**

The Company will pay to the Depositary a fee of up to 0.025% per annum of the average daily Net Asset Value of the Company for the provision of safekeeping, settlement and trustee services for the Company. These fees shall be accrued daily and paid monthly in arrears. The Depositary shall pay any sub-custodian fee out of the depositary fee.

The Depositary shall also be entitled to reimbursement by the Company of transaction charges and reasonable out-of-pocket expenses incurred for the benefit of the Company. The Company shall also bear the cost of any value added tax applicable to any fees or other amounts payable to the Depositary in relation to the Company. At the date of this Prospectus it is not envisaged that any such value added tax shall be payable.

### **AIFM Fees**

The Company will pay to the AIFM a fee of up to 0.26% per annum of the average daily Net Asset Value of the Company for the provision of management company and principal distribution services.

### **Distribution Fees**

In addition, to the fee of up to 0.26% per annum above to which it is entitled under the AIFM Agreement, the Company will pay the Distributor (or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor) a fee of up to 50 basis points of the average daily Net Asset Value of Class AX Shares, a fee of up to 1.05% per annum of the average daily Net Asset Value of Class B Shares, a fee of up to 1.10% per annum of the average daily Net Asset Value of Class C (acc) Shares and Class C (dis) Shares, a fee of up to 1% per annum of the average daily Net Asset Value of Class N (acc) Shares and Class N (dis) Shares. In each case such fee will not be conditioned upon or related to any provision of ongoing services by the Distributor (or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor) with respect to the applicable Shares. The Company's obligation to pay distribution fees to the Distributor (or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor) for each class of Shares shall be

absolute and irrevocable upon sale of such Share. These fees shall be accrued daily and paid monthly in arrears. The Distributor shall also be entitled to reimbursement by the Company for all reasonable and vouched out-of-pocket expenses incurred by it for the benefit of the Company in the performance of its distribution duties under the AIFM Agreement.

The Distributor will not be entitled to receive any fees in respect of Class Z (acc) Shares and Class Z (dis) Shares in the Company.

### **Sales Charges and Shareholder Maintenance Fees**

No sales charge or commission is payable to any party in respect of investments by the Company in the Master Fund.

The Board of Directors or the Distributor may from time to time waive or vary the sales charges applicable to any class of Shares.

### ***Class A Shares (including Class A Alternative Currency Class Shares)***

Class A Shares may either be accumulation Shares (Class A (acc) Shares) or distribution Shares (Class A (dis) Shares, Class A (dis) EUR-H1 Shares, Class A (dis) RMB-H1 Shares) or Class A (dis) SGD-H1 Shares. As noted under the section headed “Dividend Distribution Policy of the Company” no distribution of dividends will be made in respect of Class A (acc) Shares but the net investment income received by the Company by way of distribution from the Master Fund attributable to Class A (acc) Shares will be reflected in the increased value of the Shares. All other terms and conditions applicable to Class A (acc) Shares are the same as those which apply for Class A (dis) Shares.

### **Initial Sales Charge**

Class A Shares will be offered at the applicable Net Asset Value, plus an initial sales charge of up to 6.50% of the total amount invested payable to the Distributor.

### **CDSC**

In order to recover commissions paid to sub-distributors, intermediaries, dealers and/or professional investors on qualified investments of USD 1 million or more in respect to Class A Shares, holders of Class A Shares may be subject to a CDSC of 1.00% applicable to certain Class A Share redemptions made within the first eighteen months of each investment. Such Class A Shares will not be subject to the initial sales charge described above.

The CDSC shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. To keep the CDSC as low as possible, each time a request to sell Class A Shares is placed, any Class A Shares in the Shareholder's account not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Class A Shares will be sold in the order they were purchased. The CDSC shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor. Shareholders of the Company may be subject to broker dealer charges imposed by brokers through whom they invest in the Company.

### **Shareholder Maintenance Fee**

In addition, a shareholder maintenance fee of up to 0.30% per annum of the applicable average Net Asset Value of the Company attributable to Class A Shares is deducted and paid to the Distributor (or such other person as the Distributor may from time to time appoint to defray shareholder servicing costs incurred by the Distributor), in respect of the provision of services to investors on an on-going basis, including assistance in purchasing, redeeming or exchanging Class A Shares, the provision of information in relation to the Company and any other assistance as may be requested by the investors.

## **Class AX Shares**

### **Initial Sales Charge**

Class AX Shares will be offered at the applicable Net Asset Value, plus an initial sales charge of up to 6.50% of the total amount invested payable to the Distributor.

### **CDSC**

In order to recover commissions paid to sub-distributors, intermediaries, dealers and/or professional investors on qualified investments of USD 1 million or more in respect of Class AX Shares, holders of Class AX Shares may be subject to a CDSC of 1.00% applicable to certain Class AX Share redemptions within the first eighteen (18) months of each investment. Such Class AX Shares will not be subject to the initial sales charge described above.

The CDSC shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. To keep the CDSC as low as possible, each time a request to sell Class AX Shares is placed, any Class AX Shares in the Shareholder's account not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Class AX Shares will be sold in the order they were purchased. The CDSC shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor. Shareholders of the Company may be subject to broker dealer charges imposed by brokers through whom they invest in the Company.

### **Shareholder Maintenance Fee**

Class AX Shares will not be subject to a shareholder maintenance fee.

### ***Class B Shares (no longer available for investment)***

### **Initial Sales Charge**

Class B Shares will not be subject to any initial sales charge.

### **CDSC**

Class B Shares may be subject to a CDSC payable to the Distributor (or such person as the Distributor may nominate) the amount of which is calculated by reference to the length of time the Shares have been held by the relevant investor. The amount of CDSC payable is calculated as follows:

<b><i>Period Held</i></b>	<b><i>Class B Shares</i></b>
Less than one year	4%
Equal or more than one year but less than two years	3%
Equal or more than two years but less than three years	2%
Equal or more than three years but less than four years	1%
Equal or more than four years	0%

The CDSC shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. To keep the CDSC as low as possible, each time a request to sell Class B Shares is placed, any Class B Shares in the Shareholder's account not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Class B Shares will be sold in the order they were purchased. The CDSC shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to

defray distribution costs incurred by the Distributor. Shareholders of the Company may be subject to broker dealer charges imposed by brokers through whom they invest in the Company.

Starting from January 2011, Class B Shares will be automatically converted into Class A (dis) Shares on the monthly scheduled conversion date fixed by the transfer agent upon or following the expiry of eighty four 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 (dis) Shares.

#### **Shareholder Maintenance Fee**

In addition, a maintenance charge of up to 0.25% per annum of the applicable average Net Asset Value of the Company attributable to Class B Shares is deducted and paid to the Distributor (or such other person as the Distributor may from time to time appoint to defray shareholder servicing costs incurred by the Distributor), in respect of the provision of services to investors on an on-going basis, including assistance in purchasing, redeeming or exchanging Class B Shares, the provision of information in relation to the Company and any other assistance as may be requested by the investors. These fees shall be accrued daily and paid monthly in arrears.

#### ***Class C (acc) Shares and Class C (dis) Shares***

##### **Initial Sales Charge**

Class C Shares will not be subject to any initial sales charge.

##### **CDSC**

Holders of Class C Shares may be subject to a CDSC of 1.00% if those Class C Shares are held for less than twelve months.

The CDSC shall be payable on the lesser of the Net Asset Value of the Shares redeemed (exclusive of reinvested dividends) or the subscription price of such Shares. The CDSC shall be paid to the Distributor or such other person as the Distributor may from time to time appoint to defray distribution costs incurred by the Distributor. Shareholders of the Company may be subject to broker dealer charges imposed by brokers through whom they invest in the Company.

##### **Shareholder Maintenance Fee**

Class C Shares will not be subject to a Shareholder Maintenance Fee.

##### **Carryover of CDSC in Exchange of Shares**

The Company may, in its sole discretion, waive or reduce the CDSC applicable to certain Class B and Class C (dis) Shares in the following circumstances.

The Company may waive the payment of the CDSC at the time Class B or Class C (dis) Shares are redeemed so long as (1) they are redeemed for the purposes of investing the redemption proceeds in shares of the same class of another fund or investment scheme (the "Acquired Shares") for which the Distributor or an affiliate acts as principal distributor, (2) the remaining period and schedule of applicability of the CDSC that applies to the redeemed Shares at the time of redemption of the redeemed Shares will continue to apply to the Acquired Shares, and (3) the same schedule of reductions in the CDSC applies for the age of such Shares since the purchase of such Shares or any shares from which such Shares are derived in any sequence of exchanges of shares since the initial purchase of such shares not involving an exchange. The Company may reduce the CDSC applicable to Class B or Class C (dis) Shares at the time of purchase of such Shares so long as (1) they are purchased in an exchange of shares with the redemption proceeds from the redemption of shares of the same class of another fund or investment scheme ("Exchanged Shares") for which the Distributor or an affiliate acts as principal distributor, (2) the remaining period and schedule of applicability of the CDSC that applies to the Exchanged Shares at the time of the exchange will continue to apply to Class B and Class C (dis) Shares received in the exchange, and (3) the same schedule of reductions in the CDSC applies for the age of such Shares since the purchase of the Exchanged Shares or any

shares from which such shares are derived in any sequence of exchanges of shares since the initial purchase of such shares not involving an exchange. This Prospectus addresses only purchases and sales of Shares of the Company. An investor will need to obtain and review the prospectus or other offering document of the other fund or investment scheme to determine the features of the shares of such fund or investment scheme.

### ***Class N (acc) Shares and Class N (dis) Shares***

Class N Shares may either be accumulation Shares (Class N (acc) Shares) or distribution Shares (Class N (dis) Shares). As noted under the section headed “Dividend Distribution Policy of the Company” no distribution of dividends will be made in respect of Class N (acc) Shares but the net investment income received by the Company by way of distribution from the Master Fund attributable to Class N (acc) Shares will be reflected in the increased value of the Shares. All other terms and conditions applicable to Class N (acc) Shares are the same as those which apply for Class N (dis) Shares.

### **Initial Sales Charge**

Class N Shares will be offered at the applicable Net Asset Value, plus an initial sales charge of up to 3% of the total amount invested payable to the Distributor.

### **CDSC**

Class N Shares will not be subject to CDSC.

### **Shareholder Maintenance Fee**

Class N Shares will not be subject to a Shareholder Maintenance Fee.

### **Class Z (acc) Shares and Class Z (dis) Shares**

The Company has established Class Z (acc) Shares and Class Z (dis) Shares which may be offered in certain limited circumstances for distribution in certain countries and/or through certain sub-distributors, dealers and/or professional investors at the discretion of the Distributor.

### **Initial Sales Charge**

Class Z Shares will not be subject to any initial sales charge.

### **CDSC**

Class Z Shares will not be subject to CDSC.

### **Shareholder Maintenance Fee**

Class Z Shares will not be subject to a shareholder maintenance fee.

### **Fees Chargeable by the Master Fund**

The Master Fund imposes the following annual fund operating expenses (as a percentage of net assets attributable to Common Shares):

Investment Management Fees	0.53% of the average daily net assets up to USD 2.5 billion, 0.45% of the average daily net assets up to USD 6.5 billion, 0.43% of the average daily net assets up to USD 11.5 billion, 0.40% of the average daily net assets up to USD 16.5 billion, 0.39% of the average daily net assets up to USD 19 billion, 0.38% of the
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average daily net assets up to USD 21.5 billion and 0.37% of the average daily net assets over USD 21.5 billion

Administration Fees	0.15% of the average daily net assets up to USD 200 million, 0.135% of the average daily net assets over USD 200 million up to USD 700 million, 0.10% of the average daily net assets over USD 700 million up to USD 1.2 billion and 0.075% of the average daily net assets over USD 1.2 billion. Under an agreement by the Administrator of the Master Fund to waive the whole of its fees, the Master Fund paid no administration fees for the year ended 31 July 2013 <sup>7</sup> . The Administrator of the Master Fund may end this agreement at any time upon notice to the Master Fund's board of trustees.
Custodian Fees	0.001%

The Master Fund's formation expenses amounted to approximately USD 60,000 and have been borne by the Master Fund.

An early withdrawal charge of 1% of the net asset value of the Common Shares of the Master Fund to be redeemed generally applies to Common Shares of the Master Fund redeemed within twelve months of their date of issue. The Investment Manager has agreed to waive any early withdrawal charge in relation to the Common Shares held by the Company in the Master Fund.

The Custodian of the Master Fund may appoint sub-custodians who will receive fees at normal commercial rates.

### **Operating Expenses**

The Company will also pay certain other costs and expenses incurred in its operation, including without limitation, withholding taxes that may arise on its investments, registration fees and other expenses due to regulatory, supervisory or fiscal authorities in various jurisdictions, insurance, interest, custodial, brokerage costs, promotional and marketing expenses and all professional and other fees and expenses in connection therewith and the cost of publication of the Net Asset Value of the Shares.

Under the Articles, the Directors are entitled to a fee in remuneration for their services at a rate to be determined from time to time by the Directors, but so that the aggregate amount of Directors' remuneration in any one year shall not exceed USD 50,000 unless otherwise approved by Shareholders. The Directors and any alternate Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any other meetings in connection with the business of the Company.

**Conflicts Of Interest**

The AIFM, the Custodian, the Administrator and the Investment Manager may from time to time act as manager, registrar, administrator, trustee, custodian, investment manager, adviser or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of the Company. It is, therefore, possible that any of them may, in the due course of their business, have potential conflicts of interests with the Company. Each will at all times have regard in such event to its obligations under the Memorandum and Articles of Association of the Company and/or any agreements to which it is party or by which it is bound in relation to the Company and, in particular, but without limitation to its obligations to act in the best interests of the Shareholders when undertaking any investments where conflicts of interest may arise, will endeavour to ensure that such conflicts are resolved fairly and, in particular, the Investment Manager has agreed to act in a manner which it in good faith considers fair and equitable in allocating investment opportunities to the Company. The Articles provide that the Administrator may accept the estimate of the AIFM or an external valuer with the approval of the Custodian, when determining the probable realisation value of unlisted securities. The Administrator may accept an estimate provided by the AIFM or the Investment Manager or any other affiliate of the AIFM for these purposes and investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated probable realisation value of the securities the higher the fees payable to the Investment Manager.

There is nothing to prevent the Custodian or its associates from dealing as principal in the sale or purchase of assets to or from the Company, or from acting as custodian and /or trustee in any other capacity for other clients or from buying, holding and dealing in any assets for its own account or for the account of any client notwithstanding that similar or the same assets may be held or dealt in by or for the account of the Company. The Custodian shall not be deemed to be affected by notice of or to be under any duty to disclose to the Company, information which has come to its or its associates' possession as a result of any such arrangements. Neither the Custodian nor any of its associates shall be liable to account to the Company for any profits or advancements made or derived by or in connection with any such transaction. However, any such transactions must be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interest of Shareholders. Transactions permitted are subject to (a) certified valuation by a person approved by the Custodian as independent and competent; (b) execution on best terms on organised investment exchanges under their rules; or (c) where (a) and (b) are not practical, execution on terms which the Custodian is satisfied conform to the principles of execution on normal commercial terms negotiated at arm's length. The above requirements shall not apply in relation to transactions entered into by the Company and the Master Fund (save that any such transactions must be executed on terms which the Investment Manager is satisfied are on normal commercial terms).

The Custodian may hold funds for the Company subject to the provisions of the Central Banks Act 1942 to 1998, as amended.

Save as disclosed in the section headed "Directors", no director is materially interested in any transaction or arrangement with the Company or in which the Company is interested. A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested provided that he has disclosed to the Directors prior to the conclusion of any such transaction or arrangement the nature and extent of any material interest of his therein. Unless the Directors determine otherwise, a Director may not vote in respect of any contract or arrangement or any proposal whatsoever in which he has a material interest. At the date of this Prospectus no Director or any connected person of any Director has any interest, beneficial or non-beneficial, in the share capital of the Company or any material interest in the Company or in any agreement or arrangement with the Company. The Directors shall endeavour to ensure that any conflict of interest is resolved fairly.

The AIFM maintains and operates organisational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest. It will take all reasonable steps to identify; record and manage conflicts of interest fairly and in accordance with the group "Conflicts of Interest Policy". It will monitor compliance with its Conflict of

Interest Policy on an ongoing basis. It may implement additional controls in respect of the management of conflicts of interest where necessary. Where a conflict of interest cannot be managed and where permissible, the Company may obtain the client's consent to continue with the conflict of interest in place or determine to decline to act for the client.

### **Shareholders Meetings**

All general meetings of the Shareholders shall be held in Ireland and at least one general meeting of the Company shall be held in each year as the Company's annual general meeting. At least twenty one days' notice (inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) shall be given to Shareholders. The notice shall specify the place, day and hour of the meeting and the terms of the resolutions to be proposed. A proxy may attend on behalf of any Shareholder. The voting rights attached to the Shares are set out under the section headed "Voting Rights" above.

### **Reports and Accounts**

The Company shall provide Shareholders with monthly statements that provide their portfolio holdings and security valuations within seven Business Days of month end. Further, the Directors shall cause to be prepared an annual report and audited annual accounts for the Company for the period ending on the Accounting Date in each year. The annual report will be forwarded to Shareholders and the Irish Stock Exchange within four months of the end of the relevant Accounting Period end and at least twenty-one days before the annual general meeting. In addition, the Directors shall cause to be prepared and circulated to Shareholders a half-yearly report which shall include unaudited half-yearly accounts for the Company prepared up to 31 January in each year. The unaudited half-yearly report will be sent to Shareholders and the Irish Stock Exchange within two months of the end of the relevant Accounting Period. The periodic reports produced by the Master Fund will also be distributed to Shareholders.

The Master Fund shall provide holders of Common Shares and the Irish Stock Exchange with its audited annual and unaudited interim accounts within four and six months respectively. The periodic reports of the Master Fund will be attached to periodic reports of the Company when they become available.

### **Fair Treatment of Shareholders**

The AIFM has established procedures, arrangements and policies to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- acting in the best interests of the Company and of the investors;
- executing the investment decisions taken for the account of the Company in accordance with the objectives, the investment strategy and the risk profile of the Company;
- taking all reasonable measures to ensure that orders are executed to obtain the best possible result;
- preventing from placing the interests of any group of investors above the interests of any other group of investors;
- ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company managed;
- preventing undue costs being charged to the Company and investors.

The AIFM maintains and operates organisational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest.



The Company may, in accordance with the requirements of the Central Bank, create further Share classes from time to time. These Share classes may be subject to different terms and conditions, including potentially different fee, dealing, transfer, information, disclosure or liquidity arrangements, subject to the requirements of the Central Bank. Such different terms and conditions may be preferential to the Shareholders of the relevant Share classes. Such Share classes may be made available to any type of Shareholder, whether or not such Shareholder has legal or economic links to the AIFM or the Company. Where such Share classes afford preferential treatment, the Prospectus will be updated to detail the specific type of preferential treatment, the type of Shareholder to whom the Share classes are available and the legal or economic links (if any) of that type of Shareholder to the AIFM or the Company (so as to ensure the fair treatment of all Shareholders).

### **Shareholder's Rights Against Service Providers**

The Company is reliant on the performance of third party service providers, including the AIFM, the Investment Manager, the Depositary, the Administrator and the Auditor (the **"Service Providers"**). Further information in relation to the roles of the Service Providers is set out above.

Shareholders will not have any direct contractual rights against the Service Providers of the Company appointed from time to time. Any Shareholder who believes they may have a claim against any Service Provider in connection with their investment in the Company, should consult their legal adviser.

The Depositary and Custodian Agreement provides that the Depositary will be liable to the Company for the loss by the Depositary, or a third party to whom it has entrusted custody, of financial instruments held in custody (provided that such liability has not been lawfully discharged). It also provides that this liability can be invoked by the AIFM, both on behalf of the Company and on behalf of the Shareholders. The Depositary and Custodian Agreement imposes further duties and obligations on the Depositary and provides that the AIFM is entitled to pursue the Depositary, on behalf of the Company and on behalf of the Shareholders, in the event that the Depositary fails to carry out these duties and meet these obligations. The Depositary and Custodian Agreement does not create for Shareholders any explicit right of action against the Depositary.

### **Data Protection**

All personal data of Investors ("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 AIFM may be subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the AIFM and other companies of Franklin Templeton Investments, including Franklin Resources, Inc. and/or its subsidiaries and associates, the Depositary and any other third parties which provide services to them, any of which may be established outside Ireland and/or the European Union, including the US and India. Such 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, under the European Savings Directive or for the purpose of compliance with FATCA or similar laws and regulations (e.g. on OECD level). The Company and/or the AIFM, for the purpose of FATCA or other legal compliance, may be required to disclose personal data relating to US Persons and/or non-participant FFIs to the Irish tax authorities which may transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton Investments group may also use personal data for other purposes set forth in the Franklin Templeton Privacy Notice.

The Company asks for investors to consent to the use of information on their religious or philosophical beliefs which may be revealed by compliance checks against politically exposed persons, for the above purposes. This consent is in the application form for Shares.

The Franklin Templeton Privacy Notice provides further information on the Company's and Franklin Templeton Investments' use of personal data and individuals' rights in that regard and is available at [www.franklintempletonglobal.com/privacy](http://www.franklintempletonglobal.com/privacy). A hard copy is available by writing to the registered address of the AIFM.

## Disclosure of Information

The information detailed below will be set out in the Company's periodic reports:

- the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- any new liquidity management arrangements; and
- details of the current risk profile of the Company and the risk management systems employed to manage those risks.

## Winding Up

The Articles contain provisions to the following effect:

- (a) If the Company shall be wound up the liquidator shall, subject to the provisions of the Act apply the assets of the Company in such manner and order as they think fit in satisfaction of creditors' claims;
- (b) The assets available for distribution among the Shareholders shall then be applied in the following priority:
  - (i) First, in the payment to the Shareholders, a sum in U.S. Dollars (or in any other currency selected by the liquidator) as nearly as possible equal (at a rate of exchange determined by the liquidator) to the relevant Net Asset Value per Share of the Shares held by the relevant Shareholders as at the date of commencement to wind up provided that there are sufficient assets to enable such payment to be made;
  - (ii) Secondly, in the payment to the Shareholders of any balance then remaining, such balance being made in proportion to the number of Shares held;
- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a Special Resolution and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as they deem fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders provided always that each Shareholder agrees to accept such division and can request the Depositary to liquidate the assets to cash if they are not in agreement with the distribution in specie. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any assets in respect of which there is liability.

## Material Contracts

The following contracts, which are summarised in the sections headed "Management and Administration" and "Fees and Expenses of the Company" above, have been entered into and are, or may be, material:

- (a) AIFM agreement dated 17 July 2014, as amended and restated on 30 January 2015, between the Company and the AIFM, as may be further amended from time to time;
- (b) Investment Management Agreement dated 17 July 2014 between the AIFM and the Investment Manager pursuant to which the Investment Manager was appointed to invest and manage the cash and other assets and investments of the Company, as may be amended from time to time;

- (c) Administration Agreement dated 31 July 2009 between the Company and the Administrator pursuant to which the Administrator was appointed to provide certain administration services to the Company;
- (d) Amended and restated Depositary and Custodian Agreement dated 17 July 2014 between the Company, the AIFM and the Depositary pursuant to which the Depositary has been appointed as depositary of all of the Company's assets, as may be further amended from time to time;
- (e) Shareholder Services Agreement dated 23 February 2010 between the Company and the Shareholder Services Agent pursuant to which the Shareholder Services Agent was appointed to provide various services in relation to the distribution of Shares of the Company, as may be amended from time to time;
- (f) Investment Advisory Agreement dated 24 March 2000 between the Master Fund and the Investment Adviser of the Master Fund pursuant to which the Investment Adviser of the Master Fund was appointed to invest and manage the cash and other assets and investments of the Master Fund, as may be amended from time to time;
- (g) Master Custody Agreement dated 16 February 1996, between the Master Fund and the Custodian of the Master Fund pursuant to which the Custodian has been appointed as depositary of all of the Master Fund's assets, as may be amended from time to time;
- (h) Master Administration Agreement dated 24 March 2000 between the Master Fund and Administrator of the Master Fund pursuant to which FT Services was appointed to provide administration services to the Master Fund, as may be amended from time to time; and
- (h) Commission Paying and distribution agreements each dated 29 September 2006, as novated on 30 January 2015 (the "CPD Agreement"), the Company and the Distributor (and a sub-distributor) to which the "Commission Payer" was appointed to act as a commission payer for the sale of Class B and Class C Shares of the Company, as may be amended from time to time.

### **Governing Law and Recognition and Enforcement of Judgments in Ireland**

The 1980 Rome Convention on the Law Applicable to Contractual Obligations (other than Article 7(1)), Regulation (EC) 593/2008 (Rome I) and Regulation (EC) 864/2007 (Rome II), all have force of law in Ireland (together the "Rome Regulations"). Accordingly, the choice of a governing law in any given agreement is subject to the provisions of the Rome Regulations. Under the Rome Regulations, the courts of Ireland may apply any rule of Irish law which is mandatory irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of Ireland. The courts of Ireland determine on a case by case basis what the public policy of Ireland is. The fact that contractual parties choose a foreign law, whether or not accompanied by the choice of a foreign tribunal, shall not, where all the other elements relevant to the situation at the time of the choice are connected with one country only, prejudice the application of rules of the law of that country, which cannot be derogated from by agreement.

Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters has force of law in Ireland. In accordance with its provisions, a judgment obtained in the courts of another EU jurisdiction will in general be recognised and enforced in Ireland without review as to its substance, save in certain exceptional circumstances.

### **Documents for Inspection**

Copies of the following documents may be inspected and obtained at the registered offices of both the Administrator and the Paying Agent during normal business hours on any Business Day:

- (a) the material contracts referred to above;
- (b) the Memorandum and Articles of Association of the Company;

- (c) the Act;
- (d) the Constitutive Documents of the Master Fund; and
- (e) the Delaware Business Trust Act.

Copies of any yearly or half-yearly reports may be obtained from the Administrator free of charge and may be inspected at the registered office of the Administrator during normal business hours on any Business Day.

As at the date of this document the Company and the Master Fund had no loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdraft, liabilities under acceptances or acceptance credits, obligations under finance leases, hire purchase, commitments, guarantees or other contingent liabilities.

As at the date of this document, no Director nor their spouses nor their infant children or any connected persons have any interest in the shares of the Company or any options in respect of such capital.

As at the date of this document no Director has:

- (i) had any unspent convictions in relation to indictable offences; or
- (ii) been a director of any company or partnership which, while they were a director with an executive function or partner at the time of or within the twelve months preceding such events, been declared bankrupt, went into receivership, liquidation, administration or voluntary arrangements; or
- (iii) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of affairs of any company.



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