PROSPECTUS

FRANKLIN TEMPLETON SERIES II FUNDS

Société d'investissement à capital variable
incorporated in Luxembourg

April 2020



FRANKLIN
TEMPLETON

Franklin Templeton Series II Funds

Société d'investissement à capital variable
Registered office: 8A, rue Albert Borschette, L-1246 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg B 127.818

OFFER

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

1. Franklin Floating Rate II Fund
2. Franklin Multi-Sector Credit Income Fund
3. Franklin Emerging Market Corporate Debt Fund
4. Franklin Emerging Market Debt Opportunities II Fund
5. Franklin Emerging Market Investment Grade Debt Fund

Franklin Templeton Series II Fund – Important Information

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

The Company

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

The Company is registered on the official list of undertakings for collective investment 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"). The Company qualifies as an alternative investment fund within the meaning of article 1(39) of the Law of 12 July 2013.

The Company has appointed Franklin Templeton International Services S.à r.l. (the "Management Company") with its registered office at 8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg as alternative investment fund manager to provide investment management, administration and marketing functions to the Company with the possibility to delegate certain of such functions to third-parties.

The Funds are registered in Luxembourg. The Funds may be marketed in Luxembourg and other member states of the EEA, to professional investors only, on the basis of the passport regime set out in article 29 and following of the Law of 12 July 2013.

The Company may apply for registration of the Shares in various other legal jurisdictions worldwide. Outside of the EEA, the Company may be marketed to any investors in compliance with any applicable local laws. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective subscribers for Shares should make themselves aware of the legal requirements with respect to such application and of any applicable taxes in the countries of their respective citizenship, residence or domicile.

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

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

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

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

The attention of Investors is also drawn to the fixed amount which may be levied on transactions by Distributors, local paying agent and correspondent banks established in certain jurisdictions.

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

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

The price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested. Attention of Investors is more specifically

drawn to the fact that investment by the Company may trigger specific risks, as more fully described under section "Risk Considerations" below.

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

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

The Company and the Management Company draw the Investors' attention to the fact that any Investor will only be able to fully exercise his Investor's rights directly against the Company, notably the right to participate in general meetings of the Shareholders, if the Investor is registered himself and in his own name in the register of Shareholders of the Company. If an Investor invests in the Company through an intermediary investing in the Company in his own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investors are advised to take advice on their rights.

The Management Company, acting as principal distributor of the Company, (the "Principal Distributor") will also organise and oversee the marketing and distribution of Shares. The Principal Distributor may engage sub-distributors, intermediaries, brokers and/or professional investors (who may be affiliates of Franklin Templeton Investments and who may receive part of the maintenance charges or other similar fees).

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

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

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

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

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

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

Board of Directors' and Management Company's Powers

The Board of Directors is responsible for the Company's management and administration and has appointed the Management Company to perform the day-to-day management and administration of the Company in accordance with the Articles and the Alternative Investment Fund Management Agreement dated 28 April 2014 and effective as of 1 May 2014.

The Board of Directors may authorise the creation of additional Funds in the future with different investment objectives, subject to the amendment of this Prospectus.

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

If the total value of the Shares of any Fund is at any time below USD 50 million (or the equivalent thereof in the currency of the relevant Fund), or if a change in the economic or political

situation relating to the Fund concerned would justify it, or if required by the interests of the Shareholders of the Fund concerned, the Board of Directors may decide to redeem all the Shares outstanding of such Fund, or merge the Fund into an eligible Fund. Notice of such redemption or merger will be sent to the registered Investors by mail. The price at which Shares will be redeemed will be based on the Net Asset Value per Share of such Fund determined upon realisation of all assets attributable to such Fund.

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

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

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

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

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

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

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Definitions

"Accumulation Share" a Share which accumulates the net income attributable to a Share so that it is reflected in the increased value of that Share

"Alternative Investment Fund" or "AIF" a fund or Undertaking for Collective Investment ("UCI") that falls under the Alternative Investment Fund Managers Directive ("AIFMD"), terms for which definitions are provided separately

"AIFMD" Alternative Investment Fund Managers Directive (Directive 2011/61/EU) including the Commission Delegated Regulation (EU) No. 231/2013 and the European Union (Alternative Investment Fund Managers Directive) Regulations (S.I. No. 257 of 2013) and any implementing measures as implemented in Luxembourg by the Law of 12 July 2013 on Alternative Investment Fund Managers

"Alternative Currency Class" a Share Class in an alternative currency to the base currency of the Fund

"Annual General Meeting" the annual general meeting of the Shareholders of the Company

"Articles" the articles of incorporation of the Company as amended from time to time

"Balanced Fund" a Balanced Fund (also known as mixed or multi-asset fund) typically invests in or gets exposure to, directly or through Investment Funds, more than one type of asset, such as equities or debt securities (including, but not limited to, bonds). The proportion in which a Balanced Fund gets exposure to each type of asset (the asset allocation) may be fixed or flexible. Where the asset allocation is flexible, the Investment Manager will make adjustments to the amount invested in each type of asset depending on its view of their future prospects

"Board of Directors" the board of directors of the Company

"Broker-Dealer" financial intermediary or advisor

"Business Day" any full day on which the banks in Luxembourg are normally open for business

"CLO" a Collateralised Loan Obligation (or CLO) is a form of structured product transaction whereby a special purpose vehicle is formed, issues a number of classes or "tranches" of debt securities with different payment priorities as well as a residual, equity class of securities to investors, and uses the proceeds of the sale of these securities in order to acquire a pool of collateral assets primarily consisting of syndicated commercial bank loans. Payments on the pool of collateral assets are used to pay off and/or redeem the investor securities over time pursuant to specified payment priorities, during which an investment manager manages the pool of collateral assets

"Commitment Method" a method for measuring risk or "Exposure" that factors in the market risk of the underlying investments held in a UCI sub-fund or AIF, calculated by (i) taking the sum of the absolute values of the positions held, (ii) including the incremental Exposure associated with any financial derivatives instruments held by converting such financial derivatives into equivalent positions in the underlying assets of those derivatives (sometimes referred to as "notional exposure"), after (iii) netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions, (iv) including the incremental Exposure through any reinvestment of borrowings where such reinvestment increases the exposure of the UCI or AIF, and (v) including any incremental Exposure created in accordance with repurchase / reverse repurchase agreements and securities lending or borrowing arrangements. Leverage according to the Commitment Method, including Exposure to underlying assets and the incremental Exposure from financial derivatives, repurchase/reverse repurchase agreements and securities lending and borrowings arrangements as described above, is expressed as an absolute percentage of total net assets. See Appendix B for more information

"Company" Franklin Templeton Series II Funds

"Contingent Deferred Sales Charge" or "CDSC" a fee imposed when Shares are sold, typically during the first few years of ownership

"Contract Note" see sub-section "Contract Note" under section "Investor General Information"

"CSSF" *Commission de Surveillance du Secteur Financier* – The regulatory and supervisory authority of the Company in Luxembourg

"Data Protection Officer" a person appointed by the Company as a data protection officer in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC

"Dealing Cut-Off Time" the time prior to which a transaction instruction must be received in order for the transaction to be processed at the current day's NAV as further described in Appendix I of this Prospectus

"Dealing Day" any Valuation Day which is also a Business Day. Dealing Day restrictions in any jurisdiction may be obtained upon request

"Depositary" The Bank of New York Mellon SA/NV, a Belgian credit institution, acting through its Luxembourg Branch, appointed by the Company as the Company's depositary within the meaning of the Law of 12 July 2013

"DIP" "Debtor in Possession", a loan made to a corporation pursuant to Section 364 of the US Bankruptcy Code having the priority allowed by either Section 364 c or 364 d of the US Bankruptcy Code and fully secured by senior liens

"Directors" the members of the Board of Directors

"Distributor" an entity or person duly appointed by the Management Company, acting as Principal Distributor, or the Company to distribute or arrange for the distribution of Shares

"Distribution Share" a Share which normally distributes its net investment income, unless otherwise stated in the relevant Fund policy

"EEA" European Economic Area

"Eligible State" includes any member state of the European Union ("EU"), any member state of the Organisation for Economic Co-operation and Development ("OECD"), and any other state which the Directors deem appropriate with regard to the investment objective of each Fund

"Equity Fund" an Equity Fund's assets are mainly or solely invested in or exposed to equity securities issued by companies which are listed and traded on stock exchanges (equities). Equity Funds can either invest globally (global equity Funds) or be concentrated in specific countries (country-specific Funds), geographic regions (regional Funds) or sectors (sector-specific Funds)

"EU" European Union

"Exposure" a measure of risk exposure for a UCI sub-fund or AIF that factors in the market risk exposure of underlying investments, including the incremental market risk exposure and actual or implied Leverage associated with borrowings or financial derivative instruments if and where held or entered into the portfolio. Under the AIFMD Directive, UCIs or AIFs are required to measure such risk exposure using both the "Gross Method" and the "Commitment Method". These exposure figures are then divided by total net assets to arrive at a ratio which indicates the level of Leverage for the UCI or AIF according to the two methods. Definitions for the two methods are provided separately

"FATCA" Foreign Account Tax Compliance Act

"FFI" a Foreign Financial Institution as defined in FATCA

"Financial Year" The financial year of the Company ends on 31 October of each year

"Fixed Income Fund" a Fixed Income Fund's assets are mainly or solely invested in or exposed to debt securities (including, but not limited to, bonds) which pay a fixed or variable rate of interest and which may be issued by companies, national or local governments and/or international organizations which are supported by several governments (such as the World Bank). Fixed Income Funds may invest globally or focus on a geographic region or country and may invest in bonds issued by different types of issuer or focus on just one (such as governments). The performance of Fixed Income Funds is often linked to broad economic factors and particularly any changes in interest rates

"Franklin Templeton Investments" FRI and its subsidiaries and affiliates worldwide

"FRI" Franklin Resources Inc. One Franklin Parkway, San Mateo, California, a holding company for various subsidiaries that, together, are referred to as Franklin Templeton Investments

"Fund" a distinct pool of assets and liabilities within the Company, distinguished mainly by its specific investment policy and objective as created from time to time

"Gross Method" a method of calculating risk or "Exposure" that factors in the market risk of the underlying investments held in a UCI sub-fund or AIF, calculated by (i) taking the sum of the absolute values of the positions held, (ii) excluding the value of any cash and cash equivalents which are highly liquid and in the base currency of the UCI or AIF, as well as excluding cash borrowings that remain in cash or cash equivalents, (iii) including the incremental market risk Exposure associated with any financial derivatives instruments held by converting such financial derivatives into equivalent positions in the underlying assets of those derivatives (sometimes referred to as "notional exposure"), and (iv) including the incremental Exposure through repurchase/reverse repurchase agreements, securities lending or borrowing arrangements to the extent such activity, including any reinvestment of collateral or borrowings, increases the Exposure of the UCI or AIF. Leverage according to the Gross Method, including Exposure to underlying assets and the incremental Exposure from financial derivatives, repurchase/reverse repurchase agreements and securities lending and borrowings arrangements, is expressed as an absolute percentage of total net assets. See Appendix B for more information.

"Holdings" shares held in a single Share Class within the Investor Portfolio

"Institutional Investor" as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority within the meaning of article 174 of the Law of 17 December 2010. Please refer to "Share Classes" section for the list of qualifying Institutional Investors

"Investment Fund(s)" undertaking(s) for collective investment in which the Funds may invest, as determined in the investment restrictions described in Appendix B

"Investment Manager(s)" a company appointed by the Management Company and which provides portfolio day-to-day management in respect of the investment and re-investment of the assets of the Funds

"Investor" a purchaser of Shares in the Company either directly or through a Nominee structure

"Investor Portfolio" or sometimes referred to as "Portfolio" a portfolio of Holdings in the name of the registered Investor(s)

"Investor Portfolio Number" personal number attributed to an Investor upon acceptance of an application

"ISIN Code" International Securities Identification Number that uniquely identifies a Fund / Share Class

"KID" a packaged retail investment & insurance product key information document in accordance with Regulation 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products

"Law of 17 December 2010" the Luxembourg Law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time

"Law of 12 July 2013" the Luxembourg law of 12 July 2013 on alternative investment fund managers

"Leverage" a risk measure that is expressed as a ratio calculated taking the sum of a specific Fund's Exposure to underlying assets plus the incremental Exposure from financial derivative instruments, repurchase/reverse repurchase agreements and securities lending or borrowings arrangements, divided by the Fund's total net assets

"Management Company" Franklin Templeton International Services S.à r.l. or, where relevant, the members of the Management Company's board of managers

"MSCI Developed Market" MSCI Country Classification that represents the following developed countries by region: (1) Americas – Canada, United States, (2) Europe & Middle East – Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, (3) Pacific – Australia, Hong Kong, Japan, New Zealand, Singapore

"Net Asset Value per Share" or "NAV" the value per Share of any Share Class determined in accordance with the relevant provisions described under the heading "Determination of Net Asset Value of Shares" as set out in Appendix D

"Nominee" an institution which purchases and holds Shares in its own name and on behalf of an Investor

"OECD" Organisation for Economic Cooperation and Development

"Principal Distributor" the Management Company acting as principal distributor of the Company

"Principal Paying Agent" J.P. Morgan Bank Luxembourg S.A. in its capacity as principal paying agent in charge of making and receiving payments on behalf of the Funds

"Purchase" when the Prospectus states "purchase" or "how to purchase shares", it generally refers to a subscription of Shares

"Regulated Market" a market which is regulated, operates regularly and is recognised and open to the public in an Eligible State

"Sale" or "to sell" when the Prospectus states « a sale » of shares or « how to sell shares », it generally refers to a redemption of Shares

"Share" a Share of any Share Class in the capital of the Company

"Share Class" a class of Shares with a specific fee structure, currency of denomination or other specific feature

"Shareholder" a holder of Shares in the Company

"SICAV" *société d'investissement à capital variable*

"Third Party Payment" payments received from, or made by/to, a party other than the registered Investor

"UCI" Undertaking for Collective Investment

"UCITS" Undertaking for Collective Investment in Transferable Securities authorised according to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended

"UCITS Transferable Securities" Securities which meet the requirements imposed by article 2 Directive 2007/16/EC

"USA" or "US" United States of America

"USD" United States Dollars

"Valuation Day" any day on which the New York Stock Exchange ("NYSE") is open or any full day on which banks in Luxembourg are open for normal business (other than during a suspension of normal dealing)

"WARF" "Weighted Average Rating Factor", a numerical value employed to determine the overall asset quality of a credit based portfolio that is calculated based upon a methodology developed by Moody's that takes into account each individual asset within a portfolio and places emphasis on the relative proportion of the portfolio made up by each asset

All references herein to time are to Central European time (CET) unless otherwise indicated.

Words implying the singular shall, where the context permits, include the plural and vice versa.

Administrative Information

BOARD OF DIRECTORS OF THE COMPANY

CHAIRMAN:
William Jackson
Director
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED
5 Morrison Street
Edinburgh EH3 8BH, Scotland
United Kingdom

DIRECTORS:
James F. Kinloch
Director
FRANKLIN TEMPLETON LUXEMBOURG S.A.
8A, rue Albert Borschette
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Michel Tulle
General Manager and Conducting Officer
FRANKLIN TEMPLETON FRANCE S.A.
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Judith Mertesdorf-Perathoner
Vice President, Global Fund Tax
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8A, rue Albert Borschette
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Grand Duchy of Luxembourg

MANAGEMENT COMPANY
FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.A R.L.
8A, rue Albert Borschette
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BOARD OF MANAGERS OF THE MANAGEMENT COMPANY
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Senior Vice President, Head of EMEA Equity Trading
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William Jackson
Director
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Edinburgh EH3 8BH
United Kingdom

Ira J. Wishe
Managing Director – Chief Operating Officer – Private Debt
BENEFIT STREET PARTNERS, LLC
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United States of America

Gwen Shaneyfelt
Senior Vice President- Global Accounting and Taxation
FRANKLIN TEMPLETON COMPANIES, LLC
One Franklin Parkway
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CA 94403-1906
United States of America

A. Craig Blair
Conducting Officer
FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L.
8A, rue Albert Borschette
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Grand Duchy of Luxembourg

CONDUCTING OFFICERS OF THE MANAGEMENT COMPANY:

A. Craig Blair
Conducting Officer
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Grand Duchy of Luxembourg

Eric Bedell
Conducting Officer
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John Hosie
Conducting Officer
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Conducting Officer
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José Luis Perez
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Conducting Officer
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Grégory Surply
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Daniel Klingelmeier
Conducting Officer
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Marc Stoffels
Conducting Officer
FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L.
8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

INVESTMENT MANAGERS:

FRANKLIN ADVISERS, INC.
One Franklin Parkway
San Mateo, CA 94403-1906
United States of America

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED
Cannon Place
78 Cannon Street
London EC4N 6HL
United Kingdom

FRANKLIN TEMPLETON INSTITUTIONAL, LLC
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New York, NY 10017
United States of America

REPRESENTATIVE:

In Switzerland:
FRANKLIN TEMPLETON SWITZERLAND LTD.
Stockerstrasse 38
CH-8002 Zurich
Switzerland

DEPOSITARY AND LISTING AGENT:

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG BRANCH
Vertigo Building
2-4 Rue Eugène Ruppert
L-2543 Luxembourg
Grand Duchy of Luxembourg

PRINCIPAL PAYING AGENT:

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European Bank & Business Centre
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L-2633 Senningerberg
Grand Duchy of Luxembourg

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AUDITORS:

ERNST & YOUNG S.A.
35E avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS:

ELVINGER HOSS PRUSSEN, société anonyme
2, Place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

REGISTERED OFFICE:
8A, rue Albert Borschette
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Grand Duchy of Luxembourg

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Fund Information, Objectives and Investment Policies

The exclusive objective of the Company is to invest the assets of the Funds in transferable securities and other permitted assets of any kind, including units or shares of Investment Funds, with the purpose of spreading investment risks and affording its Shareholders the results of the management of its assets.

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

Each Fund may invest in "when issued" securities, lend its portfolio securities and borrow money, all within the limits of the Company's investment restrictions (as more fully described in Appendix B) and any further restrictions imposed in the investment policy of the relevant Fund. Within the same limits, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (i) enter, either as purchaser or seller, into optional as well as non-optional repurchase transactions and (ii) engage in securities lending transactions.

Further, subject to the limits set forth in the investment restrictions in Appendix B and in the investment policy of the relevant Fund, the Company may with respect to each Fund, invest in financial derivative instruments for the purpose of efficient portfolio management and/or to hedge against market or currency risks.

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

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

Any material change to the investment objective and/or the investment policy of the Company decided by the Board of Directors shall be reflected in this Prospectus upon approval from the CSSF and shall be notified to the shareholders in accordance with applicable Luxembourg regulatory requirements.

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

FRANKLIN FLOATING RATE II FUND

Asset Class Fixed income Fund

Base Currency US Dollar (USD)

Investment Objectives The Fund's objective is to provide Investors with a high level of current income and preservation of capital.

Investment Policy The Fund seeks to achieve its investment objective by investing (whether by way of subscription, acquisition or participation) primarily in a diversified portfolio of senior secured floating rate corporate loans and corporate debt securities made to or issued by US entities, non-US entities and US subsidiaries of non-US entities, as well as collateralised debt obligations and collateralised loan obligations (together "Obligations"). In some instances, the Fund may invest in unsecured loans or loans subject to higher risks of default (as a result notably of the failure by the issuer to meet its obligations). The Fund may invest up to 15% of its net assets in Debtor in Possession (DIP) loans and not rated loans (when not rated, securities will be determined to be of comparable quality with other floating rate investments rated B or higher at the time of purchase). The Fund may also invest in money market instruments and enter into repurchase agreements. The Obligations are primarily traded on the over-the-counter market in the United States conducted by dealers, including Broker-Dealers regulated by the SEC and NASD, Inc. and/or banking institutions regulated by the US Controller of the Currency and the Federal Reserve System. The over-the-counter market itself, however, may not be directly regulated by US governmental authorities.

The Fund currently does not intend to invest more than 25% of its net assets in obligations of Borrowers pertaining to any single industry. Notwithstanding the above, the Fund will invest more than 25% (and may invest up to 100%) of its total assets in loans syndicated by companies pertaining to the commercial banking, thrift banking, insurance and finance industries. Following syndication these companies or banks' agents may serve as administrators of these corporate loans issued by other companies.

The Obligations in which the Fund primarily invests will be issued by corporations in connection with their financing requirements including those arising in relation to mergers and acquisitions, refinancing, recapitalisations, leveraged buyouts and other financings for general corporate purposes. A significant portion of these Obligations (which may be as much as 100% of the Fund's net assets) may be issued in highly leveraged transactions where the issuer or obligor is assuming large amounts of debt to further its business objectives.

The Fund may invest up to 10% of its net asset in units of UCIs (including Exchange Traded Funds ("ETFs") whose underlying investments are a diversified portfolio of floating rate corporate debt securities). The Fund may also hold on an ancillary basis equity securities including warrants, convertible and fixed rate debt securities as a result of a refinancing transaction and/or to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation which represent proceeds from restructuring or bankruptcy.

The Fund may also invest in credit linked structured products and in derivative instruments including loan credit default swaps (or credit default swaps) and credit indices derivatives for hedging, efficient portfolio management and/or investment

purposes. The total notional value of such products and instruments (when used for purposes other than hedging) will not exceed 25% of the net assets of the Fund.

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

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

- high level of income with preservation of capital and are willing to accept higher credit risk from issuers offering higher yields
- invest for the medium to long term

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

- Class Hedging risk
- Collateralised Debt Obligations risk
- Concentration risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Defaulted Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Interest Rate Securities risk
- Investment Funds risk
- Liquidity risk
- Low-Rated or Non-Investment Grade Securities risk
- Market risk
- "Pre-payment" and Refinancing risk
- Repurchase and Reverse Repurchase Agreement risk
- Restructuring Companies risk
- Swap agreements risk

Leverage The maximum level of Leverage permitted in respect of the Fund is as follows:

(a) using the Gross Method for calculating Exposure, the ratio is 210% of the Fund's net assets; and

(b) using the Commitment Method for calculating Exposure, the ratio is 170% of the Fund's net assets.

Borrowings Notwithstanding paragraph A. 5) of Appendix B "Investment Restrictions", the Fund is allowed to borrow up to 20% of the Fund's net assets, in order to meet short term liabilities associated with Shareholders activity and to meet shorter-term redemption needs.

Investment Manager(s) Franklin Advisers, Inc.

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

FRANKLIN MULTI-SECTOR CREDIT INCOME FUND

Asset Class Fixed Income Fund

Base Currency US Dollar (USD)

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

Investment Policy The Fund seeks to achieve its investment objective by investing in debt securities globally, including those in Emerging Markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, bank loans, bonds, mortgage and other asset-backed securities (including collateralised debt obligations), convertible securities, and municipal securities. In some instances, the Fund may invest in unsecured loans or loans subject to higher risks of default (as a result notably of the failure by the issuer to meet its obligations). The Fund shifts its investments among various classes of debt securities and at any given time may have a substantial amount of its assets invested in any class of debt security. The Fund may invest up to 100% of its net assets in low-rated and non-investment grade debt securities of issuers worldwide.

The Fund may use various financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be either dealt on regulated markets or over-the-counter, and may include, *inter alia*, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards (either of which may result in negative currency exposures), futures contracts, as well as options.

The Fund may invest up to 10% of its net assets in credit-linked securities and up to 10% of its net assets in securities in default and participate in mortgage dollar roll transactions. The Fund may invest more than 10% of its net assets in units of UCIs. The Fund may also temporarily and/or on an ancillary basis, seek investment opportunities in other types of transferable securities such as preferred stock, common stock and other equity-linked securities, warrants, securities and bonds convertible into common stock.

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

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

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

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

- Asset Allocation risk
- Class Hedging risk
- Collateralised Debt Obligations risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Defaulted Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Interest Rate Securities risk
- Investment Funds risk
- Liquidity risk
- Low-Rated or Non-Investment Grade Securities risk
- Mortgage- and Asset-Backed Securities risk
- Market risk
- Political and Economic risk
- "Pre-payment" and Refinancing risk
- Restructuring Companies risk
- Repurchase and Reverse Repurchase Agreement risk
- Swap Agreements risk
- Warrants risk

Leverage The maximum level of Leverage permitted in respect of the Fund is as follows:

(a) using the Gross Method for calculating Exposure, the ratio is 210% of the Fund's net assets; and

(b) using the Commitment Method for calculating Exposure, the ratio is 200% of the Fund's net assets.

Investment Manager(s) Franklin Advisers, Inc.

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

FRANKLIN EMERGING MARKET CORPORATE DEBT FUND

Asset Class Fixed income Fund

Base Currency US dollar (USD)

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

Investment Policy The Fund seeks to achieve its investment objective by investing primarily in fixed and floating rate debt securities and debt obligations of government related and corporate issuers located in emerging market countries and/or deriving a significant proportion of their economic activity from developing or emerging countries. There are no restrictions on credit quality or maturity with respect to the securities in which the Fund may invest and as such the Fund may invest to an unlimited extent in below investment grade and unrated securities. The Fund may also invest in money market instruments and enter into repurchase agreements.

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

The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and may hold equity securities including warrants to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

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

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

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

- Class Hedging risk
- Counterparty risk

- Credit risk
- Credit-Linked Securities risk
- Defaulted Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Interest Rate Securities risk
- Liquidity risk
- Low-Rated or Non-Investment Grade Securities risk
- Market risk
- Repurchase and Reverse Repurchase Agreement risk
- Restructuring Companies risk
- Sovereign Debt risk
- Swap Agreements risk
- Warrants risk

Leverage The maximum level of Leverage permitted in respect of the Fund is as follows:

(a) using the Gross Method for calculating Exposure, the ratio is 210% of the Fund's net assets; and

(b) using the Commitment Method for calculating Exposure, the ratio is 170% of the Fund's net assets.

Investment Manager(s) Franklin Templeton Investment Management Limited and Franklin Templeton Institutional, LLC.

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

FRANKLIN EMERGING MARKET DEBT OPPORTUNITIES II FUND

Asset Class Fixed income Fund

Base Currency Euro (EUR)

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

Investment Policy The Fund seeks to achieve its investment objective by investing primarily in fixed and floating rate debt securities and debt obligations of government and government related issuers as well as supranational entities organised or supported by several national governments and corporate issuers located in emerging market countries and/or deriving a significant proportion of their economic activity from developing or emerging countries. The Fund may also invest in money market instruments and enter into repurchase agreements.

The Fund will invest no more than 20% of its assets in securities that (i) are not admitted to the official market on an exchange in a member state of the European Union or in another contracting state to the Agreement on the European Economic Area and (ii) are not admitted to or included in another organised market in these states and (iii) are not admitted to or included in one of the markets listed in Appendix F (collectively the "Eligible Markets").

Where the Fund invests in "when issued" securities, the aforementioned 20% limit does not apply if the terms of such securities provide that an application for admission to or inclusion in an Eligible Market will be made for such securities and the admission or inclusion occurs within one year after their issue.

The Fund will not invest in securities which fail to qualify as UCITS Transferable Securities.

All investments in debt securities will, at time of purchase, be rated as B minus or above by Standard & Poor's and/or equivalent if rated by other ratings agencies. In this respect, if two different ratings are used, only the lesser will be considered and if three different ratings are used, then the lesser of the two better ratings will be considered. If unrated, securities must be declared to be of comparable quality by the Investment Manager. If at any time securities are downgraded below B minus, they shall be sold within 6 months (unless upgraded during this period); however, should the downgraded securities in aggregate represent less than 3% of the value of the total assets, the Investment Manager may decide to keep holding some or all of the downgraded securities if it is in the best interest of the investors.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, *inter alia*, swaps (such as credit default swaps or total return swaps), forwards and cross currency forwards, futures contracts, as well as options. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security, or is linked to assets or currencies of any developing or emerging country. When utilizing derivative instruments for investment purposes, the Fund will at all times observe the restrictions applicable to UCITS under article 50 para 1 (g) of Directive 2009/65/EC.

The Fund may purchase fixed and floating rate securities and debt obligations denominated in any currency, and may hold equity securities including warrants to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

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

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

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

- Class Hedging risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Defaulted Debt Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Frontier Markets risk
- Interest Rate Securities risk
- Liquidity and Foreign Investment Controls risk
- Liquidity risk
- Low-Rated or Non-Investment Grade Securities risk
- Market risk
- Political and Economic risk
- Repurchase and Reverse Repurchase Agreement risk
- Sovereign Debt risk
- Swap Agreements risk
- Warrants risk

Leverage The maximum level of Leverage permitted in respect of the Fund is as follows:

(a) using the Gross Method for calculating Exposure, the ratio is 210% of the Fund's net assets; and

(b) using the Commitment Method for calculating Exposure, the ratio is 170% of the Fund's net assets.

Investment Manager(s) Franklin Templeton Investment Management Limited.

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

FRANKLIN EMERGING MARKET INVESTMENT GRADE DEBT FUND

Asset Class Fixed income Fund

Base Currency US Dollar (USD)

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

Investment Policy The Fund seeks to achieve its investment objective by investing primarily in fixed and floating rate debt securities and debt obligations of government and government related issuers as well as supranational entities organised or supported by several national governments and corporate issuers located in emerging market countries and/or deriving a significant proportion of their economic activity from developing or emerging countries. The Fund may also invest in money market instruments and enter into repurchase agreements.

The Fund will invest no more than 20% of its assets in securities that (i) are not admitted to the official market on an exchange in a member state of the European Union or in another contracting state to the Agreement on the European Economic Area and (ii) are not admitted to or included in another organised market in these states and (iii) are not admitted to or included in one of the markets listed in Appendix F (collectively the "Eligible Markets").

Where the Fund invests in "when issued" securities, the aforementioned 20% does not apply if the terms of such securities provide that an application for admission to or inclusion in an Eligible Market will be made for such securities and the admission or inclusion occurs within one year after their issue.

The Fund will not invest in securities which fail to qualify as UCITS Transferable Securities.

All investments in debt securities will, at time of purchase, be rated as investment grade by one or more credit ratings agencies. In this respect, if two different ratings are used, only the lesser will be considered and if three different ratings are used, then the lesser of the two better ratings will be considered. If unrated, securities must be declared to be of comparable quality by the Investment Manager. If at any time securities are downgraded below investment grade, they shall be sold within 6 months (unless upgraded during this period); however, should the downgraded securities represent less than 3% of the value of the total assets, then these securities shall be sold within 12 months (unless upgraded during this period).

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt in either on Regulated Markets or over-the-counter, and may include, *inter alia*, swaps (such as credit default swaps or total return swaps), forwards and cross currency forwards, futures contracts, as well as options. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security, or is linked to assets or currencies of any developing or emerging country. When utilizing derivative instruments for investment purposes, the Fund will at all times observe the restrictions applicable to UCITS under article 50 para 1 (g) of Directive 2009/65/EC.

The Fund may purchase fixed and floating rate securities and debt obligations denominated in any currency and may hold equity securities including warrants to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

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

- income yield and long-term capital appreciation by investing in emerging markets investment grade debt
- invest for the medium to long term

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

- Class Hedging risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Derivative Instruments risk
- Emerging Markets risk
- Foreign Currency risk
- Interest Rate Securities risk
- Market risk
- Repurchase and Reverse Repurchase Agreement risk
- Sovereign Debt risk
- Swap Agreements risk
- Warrants risk

Leverage The maximum level of Leverage permitted in respect of the Fund is as follows:

(a) using the Gross Method for calculating Exposure, the ratio is 210% of the Fund's net assets; and

(b) using the Commitment Method for calculating Exposure, the ratio is 170% of the Fund's net assets.

Investment Manager(s) Franklin Templeton Investment Management Limited.

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

Risk Considerations

Investors must read this "Risk Considerations" section before investing in any of the Funds.

The value of the Shares will increase as the value of the securities owned by any Fund increases and will decrease as the value of the Fund's investments decrease. In this way, Investors participate in any change in the value of the securities owned by the relevant Fund(s). In addition to the factors that affect the value of any particular security that a Fund owns, the value of the Fund's Shares may also change with movements in the stock and bond markets as a whole.

A Fund may own securities of different types, or from different asset classes (equities, bonds, money market instruments, financial derivative instruments) depending on the Fund's investment objective.

Different investments have different types of investment risk. The Funds also have different kinds of risks, depending on the securities they hold. This "Risk Considerations" section contains explanations of the various types of investment risks that may be applicable to the Funds. Please refer to the section "Fund Information, Objectives and Investment Policies" of this Prospectus for details as to the principal risks applicable to each Fund. Investors should be aware that other risks may also be relevant to the Funds from time to time.

General

This section explains some of the risks that apply to all the Funds. It does not purport to be a complete explanation and other risks may also be relevant from time to time. In particular, the Company's performance may be affected by changes in market and/or economic and political conditions, and in legal, regulatory and tax requirements. No guarantee or representation is made that the investment program will be successful and there can be no assurance that the Fund(s) investment objective(s) will be attained. Also, past performance is no guide to future performance, and the value of investments may go down as well as up. Changes in rates of exchange between currencies may cause the value of a Fund's investments to diminish or increase.

The Company or any of its Funds may be exposed to risks that are outside of their control – for example legal and regulatory risks from investments in countries with unclear and changing laws or the lack of established or effective avenues for legal redress or as a result of the registration of the Funds in non-EU jurisdictions, the Funds may be subject, without any notice to the shareholders in the Funds concerned, to more restrictive regulatory regimes potentially preventing the Funds from making the fullest possible use of the investment limits. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse. The Funds may be exposed to the risk of terrorist actions, to the risk that economic and diplomatic sanctions may be in place or imposed on certain States and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. Investors are reminded that in certain circumstances their right to redeem Shares may be suspended as further described in Appendix D.

The Company or any of its Funds may be exposed to operational risks, being the risk that operational processes, including those related to the safekeeping of assets, valuation and transaction processing may fail, resulting in losses. Potential causes of failure may arise from human errors, physical and electronic system failures and other business execution risks as well as external events.

Asset Allocation risk

Some Funds apply an actively managed asset allocation approach. Such Funds could experience losses if the Investment Manager's and/or Investment Co-Managers' judgment about markets, future volatility, interest rates, industries, sectors and regions or the attractiveness, relative values, liquidity, effectiveness or potential appreciation of particular investments made for a Fund's portfolio prove to be incorrect. The Investment Manager's allocation of a Fund's assets among different asset classes, Investment Co-Managers, underlying funds and direct investments may not prove beneficial in light of subsequent market events. There can be no guarantee that these techniques or the Investment Manager's and/or Investment Co-Managers' investment decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the Investment Manager and Investment Co-Managers in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goals.

The Investment Manager and/or Investment Co-Managers may use modeling systems to implement their investment strategies for a Fund. There is no assurance that the modeling systems are complete or accurate, or representative of future market cycles, nor will they necessarily be beneficial to the Fund even if they are accurate. The results generated by these models may perform differently than in the past, or as expected. They may negatively affect Fund performance and the ability of a Fund to meet its investment goal for various reasons. For example, human judgment plays a role in building, using, testing, and modifying the financial algorithms and formulas used in these models. Additionally, there is a possibility that the historical data may be imprecise or become stale due to new events or changing circumstances which the models may not promptly detect. Market performance can be affected by non-quantitative factors (for example, market or trading system dysfunctions,

investor fear or over-reaction or other emotional considerations) that are not easily integrated into the Investment Manager's or Investment Co-Managers' risk models. There may also be technical issues with the construction and implementation of quantitative models (for example, software or other technology malfunctions, or programming inaccuracies).

Class Hedging risk

The Company may engage in currency hedging transactions with regards to a certain Share Class (the "Hedged Share Class"). Hedging transactions are designed to reduce, as much as possible, the currency risk for investors.

Any financial instruments used to implement such hedging strategies with respect to one or more Classes of a Fund shall be assets and/or liabilities of such Fund as a whole, but will be attributable to the relevant Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class. Any currency exposure of a Class may not be combined with or offset against that of any other Class of a Fund. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. No intentional leveraging should result from currency hedging transactions of a Class although hedging may exceed 100% by a small margin (as further detailed in the Hedged Share Classes sub-section) as in the case of a net investment flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

There is no guarantee that attempts to hedge currency risk will be successful and no hedging strategy can eliminate currency risk entirely. Should a hedging strategy be incomplete or unsuccessful, the value of that Fund's assets and income can remain vulnerable to fluctuations in currency exchange rate movements.

In the case of a net investment flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

Investors should be aware that there may be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the relevant Fund. The gains/losses on and the costs of such hedging transactions will accrue solely to the relevant Hedged Share Class.

This risk for holders of any Hedged Share Class may be mitigated by using any of the efficient portfolio management techniques and instruments (including currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps), within the conditions and limits imposed by the Luxembourg financial supervisory authority.

Investors should be aware that the hedging strategy may substantially limit Investors of the relevant Hedged Share Class from benefiting from any potential increase in value of the Share Class expressed in the reference currency(ies), if the Hedged Share Class currency falls against the reference currency(ies). Additionally, Investors of the Hedged Share Class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the associated transactions costs of the relevant financial instruments used to implement the hedging strategy. The gains/losses on and the transactions costs of the relevant financial instruments will accrue solely to the relevant Hedged Share Class.

More details as to the rules governing allocation of assets and liabilities at a Share Class level are contained in Appendix D.

Collateralised Debt Obligations risk

Some funds may invest in particular types of asset-backed security known as Collateralised Debt Obligation (CDOs) or (if loans are the underlying asset) Collateralised Loan Obligations (CLOs). The risks of an investment in a CDO or CLO depend largely on the type of collateral held by the special purpose entity (SPE) and the tranche of the CDO or CLO in which a Fund invests. In a typical CDO or CLO structure, there are multiple tranches with varying degrees of seniority, with the most senior tranche getting first access to the interest and principal payments from the pool of underlying assets, the next most senior getting second access, and so on down the line until the residual (or equity tranche) which has the last call on the interest and principal. The lower the priority of the tranche is, the greater the risk. Investment risk may also be affected by the performance of the collateral manager (the entity responsible for selecting and managing the pool of collateral securities held by the SPE trust), especially during a period of market volatility. CDOs or CLOs may be deemed to be illiquid securities and subject to a Fund's restrictions on investments in illiquid securities. A Fund's investment in CDOs or CLOs will not receive the same investor protection as an investment in registered securities. As a result of these factors, prices of CDO or CLO tranches can decline considerably.

In addition to the normal risks associated with debt securities and asset backed securities (e.g., interest rate risk, credit risk and default risk), CDOs and CLOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or quality or go into default or be downgraded; (iii) a Fund may invest in tranches of a CDO or CLO that are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer, difficulty in valuing the security or unexpected investment results.

Concentration risk

The Franklin Floating Rate II Fund may invest a relatively high percentage of its assets in Obligations of a limited number of issuers or industries or in loans syndicated by companies in the commercial banking, thrift banking, insurance and finance industries. As a result of this concentration of its assets, the Franklin Floating Rate II Fund is subject to certain risks associated to such companies, both individually and as a group. The lack of availability of loans in which the Fund could invest may from time to time reduce the ability of the Fund to readily comply with its investment objective.

Convertible Securities risk

A convertible security is generally a debt obligation, preferred stock or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock.

Some convertible securities are issued as so-called contingent convertible bonds (or "coco" bonds), where the conversion of the bond into equity occurs at stated conversion rate if a pre-specified trigger event occurs. This type of convertible became popular following the 2008-2009 financial crisis as a way of triggering conversion of debt to equity in the event of deteriorating financial condition to avoid bankruptcy. As such, issuers of such bonds may tend to be those that are vulnerable to weakness in the financial markets. Because conversion occurs after a specified event, conversion may occur when the share price of the underlying equity is less than when the bond was issued or purchased, resulting in greater potential compared to conventional convertible securities for capital loss.

In addition to the Liquidity risk detailed below, investment in contingent convertible bonds may also entail the following risks (non-exhaustive list):

Call extension risk: some contingent convertible bonds are issued as perpetual instruments, callable at pre-determined levels only with the approval of the competent authority.

Capital structure inversion risk: contrary to classical capital hierarchy, contingent convertible bonds' investors may suffer a loss of capital when equity holders do not.

Conversion risk: it might be difficult for the Investment Manager and/or the Investment co-Managers of the relevant Fund to assess how the securities will behave upon conversion. In case of conversion into equity, the Investment Manager and/or the Investment co-Managers might be forced to sell these new equity shares since the investment policy of the relevant Fund does not allow equity in its portfolio. This forced sale may itself lead to liquidity issue for these shares.

Coupon cancellation: for some contingent convertible bonds, coupon payments are entirely discretionary and may be cancelled by the issuer at any point, for any reason and for any length of time.

Industry concentration risk: investment in contingent convertible bonds may lead to an increased industry concentration risk as such securities are issued by a limited number of banks.

Trigger level risk: trigger levels differ and determine exposure to conversion risk depending on the distance of the capital ratio to the trigger level. It might be difficult for the Investment Manager and/or the Investment co-Managers of the relevant Fund to anticipate the triggering events that would require the debt to convert into equity.

Unknown risk: the structure of contingent convertible bonds is innovative yet untested.

Valuation and Write-down risks: the value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, a Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Counterparty risk

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause.

When over-the-counter (OTC) or other bilateral contracts are entered into (*inter alia* OTC derivatives, repurchase agreements, security lending, etc.), the Company may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.

Credit risk

Credit risk, a fundamental risk relating to all floating rate and fixed income securities, is the risk that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, and have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are some of the factors that may have an adverse impact on an issuer's credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities.

Obligations and debt securities made in connection with mergers and acquisitions, refinancing, recapitalisations, leveraged buyouts and other financings for general corporate purposes are subject to greater credit risks. These credit risks include an increased possibility that the issuer or obligor may default or may go into bankruptcy. The Company may have more difficulty selling highly leveraged Obligations and debt securities when they are less liquid.

The Obligations and other debt securities in which the Company invests may not be secured. Where they are secured there are risks which may cause the collateral to be insufficient in the event that an issuer or obligor defaults. There is also the risk that the collateral may be difficult to liquidate. In fact, a majority of the collateral may be illiquid. Consequently, the Company 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 Shares.

Credit-Linked Securities risk

Credit-linked securities are debt securities that represent an interest in a pool of, or are otherwise collateralised by one or more corporate Obligations, loan credit default swaps or credit default swaps, credit indices derivatives, structured products, incorporated debt or bank loan obligations. Such Obligations may represent the obligations of one or more corporate issuers. The Fund has the right to receive periodic interest payments from the issuer of the credit-linked security (usually the seller of the underlying credit default swap(s)) at an agreed-upon interest rate, and a return of principal at the maturity date.

The Fund bears the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment in the credit-linked security, in the event that one or more of the Obligations underlying the credit default swaps go into default or otherwise become non-performing. Upon the occurrence of such a credit event (including bankruptcy, failure to timely pay interest or principal, or a restructuring), the Fund affected will generally reduce the principal balance of the related credit-linked security by the Fund's pro rata interest in the par amount of the defaulted underlying debt obligation in exchange for the actual value of the defaulted underlying obligation or the defaulted underlying obligation itself, resulting in a loss of a portion of the Fund's investment. Thereafter, interest on the credit-linked security will accrue on a smaller principal balance and a smaller principal balance will be returned at maturity. To the extent a credit-linked security represents an interest in underlying obligations of a single corporate or other issuer, a credit event with respect to such issuer presents greater risk of loss to a Fund than if the credit-linked security represented an interest in underlying obligations of multiple issuers.

In addition, the Fund bears the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, the Fund may have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon.

An investment in credit-linked securities also involves reliance on the counterparty to the credit default swap entered into with the issuer of the credit-linked security to make periodic payments to the issuer under the terms of the swap. Any delay or cessation in the making of such payments may be expected in certain instances to result in delays or reductions in payments to the Fund as an investor in such credit-linked securities. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person.

Most credit-linked securities are structured as US Rule 144A securities so that they may be freely traded among institutional buyers. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the securities to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Fund could experience difficulty in selling such security at a price the investment manager(s) believe(s) is fair.

The value of a credit-linked security will typically increase or decrease with any change in value of the underlying Obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to the Fund are based on amounts received in respect of, or the value of performance of, any underlying Obligations specified in the terms of the relevant credit default swap, fluctuations in the value of such obligation may affect the value of the credit-linked security.

Custody risk

Assets of the Company are safe kept by the custodian and Investors are exposed to the risk of the custodian not being able to fully meet its obligation to restitute in a short timeframe all of the assets of the Company in the case of bankruptcy of the custodian. The assets of the Company will be identified in the custodian's books as belonging to the Company. Securities and debt obligations (including loan assignments and loan participations) held by the custodian will be segregated from other assets of the custodian which mitigates but does not exclude the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy. The custodian does not keep all the assets of the Company itself but uses a network of sub-custodians which are not part of the same group of companies as the custodian. Investors are exposed to the risk of bankruptcy of the sub-custodians in the same manner as they are to the risk of bankruptcy of the custodian. A Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Fund that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the custodian will have no liability.

Defaulted Debt Securities risk

Some Funds may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). These Funds may buy defaulted debt securities if, in the opinion of the Investment Manager(s), it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Fund's portfolio defaults, the Fund may have unrealised losses on the security, which may lower the Fund's Net Asset Value per Share. Defaulted securities tend to lose much of their value before they default. Thus, the Fund's Net Asset Value per Share may be adversely affected before an issuer defaults. In addition, the Fund may incur additional expenses if it must try to recover principal or interest payments on a defaulted security.

Included among the issuers of debt securities or obligations in which the Company may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

Derivative Instruments risk

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. A Fund may use options, futures, options on futures, and forward contracts on currencies, securities, indices, interest rates or other reference assets for hedging, efficient portfolio management and/or investment purposes. Derivative instruments involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. In the case of futures transactions, the amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to the risk of the purchaser exercising the option and the Fund will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the Fund holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund's risk of loss is limited to the net amount due (please also refer to "Swap Agreements risk").

Certain derivatives have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that a Fund may

not realise the intended benefits. Their successful use will usually depend on the Investment Manager's and/or Investment Co-Managers' ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, a Fund may not achieve the anticipated benefits of the transaction, and it may realise losses, which could be significant. If the Investment Manager or Investment Co-Manager is not successful in using such derivative instruments, a Fund's performance may be worse than if the Investment Manager or Investment Co-Manager did not use such derivative instruments at all. To the extent that a Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

A Fund may engage in transactions involving derivative instruments that trade on exchanges or that may be privately negotiated and trade "over-the-counter" (OTC) and not on an exchange. Exchange-traded derivatives include futures, options, options on futures, and warrants. Examples of OTC derivative instruments include currency forwards, interest rate swaps, credit default swaps, total return swaps or contracts for differences. Use of such OTC instruments could result in a loss if the counterparty to the transaction (with respect to forward currency contracts and other OTC derivatives) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Collateral is employed for many OTC derivative transactions – it needs to be pledged to the counterparty if a Fund has a net loss on a given transaction and a Fund may hold collateral pledged by the counterparty to the Fund if the Fund has a net gain on a given transaction. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund or will not be absorbed by other outstanding obligations of the counterparty. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that a Fund is unable to close out a position because of market illiquidity, the Fund may not be able to prevent further losses of value in its derivatives holdings and the Fund's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. A Fund may also be required to take or make delivery of an underlying instrument that the Investment Manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while a Fund may intend to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the Investment Manager and/or Investment Co-Managers elects not to do so due to availability, cost or other factors.

Under recent financial reforms, certain types of derivatives (i.e., certain swaps) are, and others eventually are expected to be, required to be cleared through a central counterparty. Central clearing is designed to reduce counterparty credit risk and increase liquidity compared to OTC swaps, but it does not eliminate those risks completely. With cleared swaps, there is also a risk of loss by a Fund of its initial and variation margin deposits in the event of bankruptcy of the FCM with which the Fund has an open position in a swap contract. If an FCM does not provide accurate reporting, the Fund is also subject to the risk that the FCM could use the Fund's assets to satisfy its own financial obligations or the payment obligations of another customer to the central counterparty. With cleared swaps, a Fund may not be able to obtain as favourable terms as it would be able to negotiate for a bilateral, uncleared swap. In addition, an FCM may unilaterally amend the terms of its agreement with a Fund, which may include the imposition of position limits or additional margin requirements with respect to the Fund's investment in certain types of swaps. Central counterparties and FCMs generally can require termination of existing cleared swap transactions at any time, and can also require increases in margin above the margin that is required at the initiation of the swap agreement.

The regulation of cleared and uncleared swaps, as well as other derivatives, is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, regulators and exchanges in many jurisdictions are authorised to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. It is not possible to predict fully the effects of current or future regulation. New requirements, even if not directly applicable to a Fund, may increase the cost of a Fund's investments and cost of doing business, which could adversely affect investors.

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

Dilution and Swing Pricing risk

The actual cost of purchasing or selling the underlying investments of a Fund may be different from the carrying value of these investments in the Fund's valuation. The difference may arise due to dealing and other costs (such as taxes) and/or any spread between the buying and selling prices of the underlying investments.

These dilution costs can have an adverse effect on the overall value of a Fund and thus the Net Asset Value per Share may be adjusted in order to avoid disadvantaging the value of investments for existing Shareholders. The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

Distressed Securities risk

Investment in distressed securities (i.e. which have a Standard & Poor's notation below CCC long-term rating or equivalent) may cause additional risks for a Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and principal or maintain other terms of the offer documents over any long period of time. They are generally unsecured and may be subordinated to other outstanding securities and creditors of the issuer. Whilst such issues are likely to have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposure to adverse economic conditions. Therefore, a Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of interest and principal may involve additional cost for the relevant Fund. Under such circumstances, the returns generated from the relevant Fund's investments may not compensate the shareholders adequately for the risks assumed.

Distribution risk

Distribution of dividends, if any, is not guaranteed. Only shareholders whose names are entered on the relevant record date shall be entitled to the distribution declared in respect of the corresponding quarterly, interim or annual accounting period, as the case may be. The net asset value of the relevant Fund will be reduced by the amount of dividend paid.

Dividend Policy risk

Certain Funds, particularly those that pursue investment strategies seeking to generate income, may have a dividend policy that allows for payment of dividends out of capital as well as from income and net realised and net unrealised capital gains. Where this is done, while it may allow for more income to be distributed, it also amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. This has the effect of reducing capital and the potential for long-term capital growth as well as increasing any capital losses. Examples of when this may occur include:

- if the securities markets in which the Fund invests were sufficiently declining so that the Fund has incurred net capital losses;

- if dividends are paid gross of fees and expenses such that fees and expenses are paid out of net realised and net unrealised capital gains or initially subscribed capital.

Any distributions of dividends made partially or entirely out of the Fund's capital may reduce capital growth and may result in an immediate reduction of the net asset value per share. See also "Taxation of the Company" section below.

Emerging Markets risk

All Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and Emerging Markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries. In addition, certain markets, particularly Russia, the New Independent States that were formerly part of the Soviet Union, and certain Eastern European countries that were previously under the influence of the Soviet Union involve significant risks and special considerations not normally associated with other more developed markets. Among these risks are a potentially low level of investor protection, poor or opaque corporate governance, legislative or legal risk (that laws may be changed with retrospective and/or immediate effect) and political risk (that the interpretation or method of enforcement or laws may be changed with a consequent and adverse effect on the Fund). In addition, there are economic, currency, inflation, and taxation risks as well as the risk of loss due to lack of adequate systems for transferring, pricing, accounting for, and safekeeping or record keeping of securities.

Equity risk

The value of all Funds that invest in equity and equity-related securities fluctuates daily. Prices of equities can be influenced and affected by many micro and macro factors such as economic, political, market, and issuer-specific changes. Such changes may adversely affect the value of the equities which can go up and down, regardless of company-specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Fund's value are often exacerbated in the short-term as well. The risk that one or more companies in a Fund's portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period and Fund investing in equities could incur significant losses.

Foreign Currency risk

Since the Company may value the portfolio holdings of each of its Funds in various currencies, changes in currency exchange rates adverse to those currencies may affect the value of such holdings and each respective Fund's yield thereon.

Since the securities, including cash and cash equivalents, held by a Fund may be denominated in currencies different from its base currency, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Shares, and also may affect the value of dividends and interests earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

To the extent that a Fund or any Share Class seeks to use any strategies or instruments to hedge or to protect against currency exchange risk, there is no guarantee that hedging or protection will be achieved. Unless otherwise stated in any Fund's investment policy, there is no requirement that any Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction.

Funds which use currency management strategies, including the use of cross currency forwards and currency futures contracts, may substantially change the Fund's exposure to currency exchange rates and could result in losses to the Fund if the currencies do not perform as the Investment Manager expects.

Frontier Markets risk

Investments in Emerging Market countries involve risks as set out in the section "Emerging Markets risks" above. Investments in Frontier Markets involve risks similar to investments in Emerging Markets but to a greater extent since Frontier Markets are even smaller, less developed, and less accessible than other Emerging Markets. Frontier Markets may also experience greater political and economic instability and may have less transparency, less ethical practices, and weaker corporate governance compared to other Emerging Markets and the relevant Fund/Investors may be adversely impacted. Such markets are also more likely to have investment and repatriation restrictions, exchange controls and less developed custodial and settlement systems than other Emerging Markets. The countries that comprise Frontier Markets include the lesser developed countries located in Africa, Asia, the Middle East, Eastern Europe and Latin America. As a result, the relevant Fund/Investors may be adversely impacted.

Interest Rate Securities risk

All Funds that invest in fixed income securities are subject to interest rate risk. Securities or obligations with floating rate interest are generally less sensitive to interest rate changes. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect a security's value or, in a Fund's case, its Net Asset Value. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect a Fund's interest income, such changes may positively or negatively affect the Net Asset Value of the Fund's Shares on a daily basis.

Investment Funds Risk

Funds that invest in other Investment Funds (which may include Exchange Traded Funds or "ETFs") indirectly incur their operating costs, including the fees paid to the Depositary, the Central Administration Agent and other service providers as well as a prorata portion of the fees paid by the Investment Funds in which the Funds invest to their investment managers or other service providers. As a result the operating expenses of those Funds of the Company may constitute a higher percentage of the net asset value than could be found in other investment schemes. If the Investment Manager(s) is (are) able to negotiate a reduction in such fees, any such reduction will be for the sole benefit of the relevant Fund. As the Fund's allocations among the Investment Funds change from time to time, or to the extent that the expense ratios of the underlying funds change, the expenses borne by the Fund may increase or decrease.

A Fund's investments in Investment Funds may subject the Fund to additional risks than if the Fund would have invested directly in the Investment Funds' underlying securities. These risks include the possibility that an unregistered fund or an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities. An ETF may trade at a premium or

discount to its net asset value, as shares of an ETF are bought and sold on exchanges based on market values and not at the ETF's net asset value. In addition, the determination of Net Asset Value of the Shares of any particular Investment Fund held by a Fund may be suspended under certain conditions as indicated in Appendix D ("Suspension of Calculation of Net Asset Value"). In the event this were to happen, it could impede the ability of a Fund to meet a redemption request.

Investors should be aware of the specific features of a fund of Investment Funds and the consequences of investing in Investment Funds. Although the Company will seek to monitor investments and trading activities of the Investment Funds to which the Funds' assets will be allocated, investment decisions are made at the level of such Investment Funds and it is possible that the managers of such Investment Funds will take positions or engage in transactions in the same securities or in issues of the same asset class, industry or country or currency at the same time. Consequently there is a possibility that one Investment Fund may purchase an asset at about the same time as another Investment Fund may sell it.

There can be no assurance that the selection of the managers of the Investment Funds will result in an effective diversification of investment styles and that positions taken by the underlying Investment Funds will always be consistent.

In addition, neither a Fund nor its Investment Manager will generally be part of the valuation process of the Investment Funds; nor will they have any rights to appoint or dismiss the persons responsible for valuations of the Investment Funds. There is a risk that the portfolio of the Investment Funds may from time to time be overvalued or undervalued. In addition, an Investment Fund may not apply the same valuation methodology applied to a Fund or any other Investment Fund evaluating their respective portfolios.

Legal and Regulatory risk

The AIFMD, as implemented in the Luxembourg legal framework by the Law of 12 July 2013, may lead to additional operating costs and limit the ability of the Management Company to delegate to some Investment Managers. The AIFMD regulates managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities ("UCITS") but which are marketed or managed in the EU. The AIFMD restricts the Management Company and the Company from engaging in certain activities and imposes certain other requirements that may restrict their operations and increase the operating expenses of the Company. The Management Company is required to provide to regulators, among other things, information regarding the liquidity of the Company's assets and information regarding the Company's risk profile, Leverage, if any, and the Company's risk management systems on an ongoing basis. Although the AIFMD does not impose any specific limits on Leverage, it does require that internal Leverage limits are set for the Company. The Management Company is also required to provide to regulators information regarding the main categories of assets in which the Company has invested. In addition, the Management Company will be required to comply with minimum initial and ongoing capital requirements. The AIFMD also requires the Management Company to periodically conduct regular "stress tests" in respect of the Company that allow it to monitor the Company's liquidity risk, which may increase its operating expenses. In addition, the AIFMD requires that an independent depositary is appointed for the Company, whose primary responsibility is to safe-keep the Company's assets, including verification of the Company's ownership of such assets. Additional restrictions are imposed on the Management Company's ability to delegate the portfolio and risk management of the Company, including to its affiliates. Delegation to non-EU investment managers requires such delegates to comply with certain additional requirements of the AIFMD.

Liquidity and Foreign Investment Controls risk

Some Funds may invest in illiquid assets and this may restrict the ability of such Funds to dispose of its investments in a timely fashion and for a fair price, as well as its ability to take advantage of market opportunities. Additionally, no established secondary markets may exist for some of the emerging country debt obligations in which the Funds may invest. This reduced liquidity may have an adverse effect on their market price, reduce the Funds' ability to dispose of its investments when advisable and make it more difficult for the Funds to obtain accurate market quotations for the purposes of valuing its portfolio.

Although the market for emerging country debt is currently reasonably liquid, this position would alter if a substantial reduction in the number of investors in this market were to occur. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value or liquidity of such assets.

Foreign investment in certain emerging country debt securities is restricted or controlled to varying degrees and these controls may at times prevent the Funds from investing in particular securities. Further, governmental approval may be required for the repatriation of investment income, capital or the proceeds of sales of such securities by foreign investors. The Funds could be adversely affected by delays in, or refusals to grant, any required governmental approval.

Investors should note that where a Fund invests in emerging markets these investments may carry risks with failed or delayed settlement and with registration and custody of securities. The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets which may result in problems in realising investments.

Liquidity risk

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. A Fund may invest in

investments that are not readily marketable or are subject to restrictions on resale. Obligations and debt securities in which any Fund may invest may be subject to significant restrictions on resale. They do not have the liquidity of conventional investment grade debt securities and may be considered illiquid. Liability side liquidity risk refers to the inability of a Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Reduced liquidity due to these factors may have an adverse impact on the Net Asset Value of the Fund and, as noted, on the ability of the Fund to meet redemption requests in a timely manner.

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

Low-Rated or Non-Investment Grade Securities risk

Some Funds may invest in higher-yielding securities rated lower than investment grade. High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of a complete loss of the Fund's investment, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally considered predominantly speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. If an issuer stops making interest and/or principal payments, payments on the securities may never resume. These instruments may be worthless and the Fund could lose its entire investment.

The prices of high-yield debt instruments fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business or operations and to changes in the ratings assigned by rating agencies. In addition, the entire high-yield debt market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Prices of corporate high-yield debt instruments often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices.

High-yield debt instruments are generally less liquid than higher-quality securities. Many of these securities are not registered for sale with relevant regulatory authorities in the local jurisdiction and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit the Fund's ability to sell securities in response to specific economic events or to meet redemption requests. As a result, high-yield debt instruments generally pose greater illiquidity and valuation risks.

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate. Recently, legislation and regulations to reform rating agencies have been proposed and may adversely impact the Fund's investments or investment process.

Unrated debt securities determined by the Investment Manager and/or Investment Co-Managers to be of comparable quality to rated securities which the Fund may purchase may pay a higher interest rate than such rated debt securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers.

Exposure to the low-rated or high-yield debt may be achieved through synthetic means. For example, the CDX is a credit default swap on a basket of high yield bonds, constituting in effect a high yield bond index. By purchasing such an instrument, the Fund is buying protection (i.e. the ability to get par for the bonds in the event of an unfavourable credit event), allowing the Fund to hedge its exposure or go short the high yield sector. By selling such an instrument short and holding cash against the potential obligation to purchase it, the Fund is selling protection and effectively getting long exposure to the high yield sector more efficiently than purchasing individual bonds. The risks associated with such synthetic instruments are comparable to those of the underlying high yield securities that the instruments are seeking to replicate, in addition to the risk that the synthetic instruments themselves do not perform as intended due to adverse market conditions.

Market risk

The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular industry or sector, such as changes in production

costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Mortgage- and Asset-Backed Securities risk

Some Funds may invest in mortgage- and asset-backed securities. Mortgage-backed securities (sometimes referred as mortgage pass-through securities) are securities that are backed by pools of mortgage loans where the payment of interest and principal from the underlying mortgages are passed through to the holders of the mortgage-backed securities. The underlying mortgages may be single family, multi-family, or commercial mortgages (that latter are frequently called commercial mortgage-backed securities, or CMBS), and may be fixed rate or adjustable rate mortgages (if adjustable, such securities are called Adjustable Rate Mortgage Securities or ARMS). Mortgage-backed securities differ from conventional debt securities in that principal is paid back over the life of the security rather than at maturity, as the underlying mortgages are subject to unscheduled pre-payments of principal before the security's maturity date due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid over par at the time of purchase. Mortgage pre-payments generally increase when interest rates fall.

Mortgage-backed securities also are subject to extension risk. An unexpected rise in interest rates could reduce the rate of pre-payments on mortgage-backed securities and extend their life. This could cause the price of the mortgage-backed securities to be more sensitive to interest rate changes. Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default.

Collateralised Mortgage Obligations (CMOs) are securities backed by a pool of mortgage pass-through securities or actual mortgage loans that are structured into various tranches with varying maturities and varying priorities in terms of their access to the principal and interest payments from the underlying assets. Such securities will have, depending on the tranches, varying degrees of pre-payment risk and credit risk, depending on their priority in the capital structure. The shorter, more senior tranches will generally be lower risk than the longer dated, more junior tranches.

Mortgage-backed securities may be offered as interest only (IO) or principal only (PO) strips, where only the interest or the principal of the underlying mortgages in the pool is passed on to the security holders. These types of securities are highly sensitive to the pre-payment experience associated with the underlying mortgages and will behave in opposite ways to the same trend in pre-payments. For IO securities, early pre-payments within the pool will mean less than expected interest payments since the mortgages will have terminated, adversely affecting security holders. For PO securities, early pre-payments within the pool will mean quicker repayment of principal than expected, benefiting security holders. Because of the highly sensitive nature of these securities, the possibility of sharp declines in prices is much greater compared to conventional mortgage-backed securities.

Mortgage- and asset-backed securities may be structured as synthetic securities. For example, the CMBX is a credit default swap on a basket of CMBS bonds, constituting in effect a CMBS index. By purchasing such an instrument, the Fund is buying protection (i.e. the ability to get par for the bonds in the event of an unfavourable credit event), allowing the Fund to hedge its exposure or go short the CMBS sector. By selling such an instrument short and holding cash against the potential obligation to purchase it, the Fund is selling protection and effectively getting long exposure to the CMBS sector more quickly and efficiently than purchasing individual bonds. The risks associated with such synthetic instruments are comparable to those of the underlying ABS or MBS securities that the instruments are seeking to replicate, in addition to the risk that the synthetic instruments themselves do not perform as intended due to adverse market conditions.

Asset-backed securities are very similar to mortgage-backed securities, except that the securities are collateralised by other types of assets besides mortgages, such as credit card receivables, home-equity loans, manufactured homes, automobile loans, student loans, equipment leases, or senior bank loans, among others. Like mortgage-backed securities, asset-backed securities are subject to pre-payment and extension risks.

Mortgage Dollar Roll risk

Some Funds may engage in mortgage dollar roll transactions. In a mortgage dollar roll, a Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date (typically so-called "to-be-announced" or TBA securities where the actual securities underlying the transaction are not identified, rather only certain parameters are specified, e.g. coupon, maturity, issuer, mortgage type, and month of settlement). During the period between the sale and repurchase (the "roll period"), the Fund foregoes principal and interest paid on the mortgage-backed securities. The Fund is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the "drop"), as well as by the interest earned on the

cash proceeds of the initial sale. The Fund could suffer a loss if the contracting party fails to perform the future transaction and the Fund is therefore unable to buy back the mortgage-backed securities it initially sold. Mortgage dollar rolls will be entered into only with high-quality government securities dealers and member banks of the US Federal Reserve System.

Mortgage dollar rolls transactions may (due to the deemed borrowing position involved), increase the Fund's overall investment exposure and result in losses. Mortgage dollar rolls will be considered borrowings for purposes of the Fund's borrowing limitations unless the Fund segregates on its books an offsetting cash position or a position of liquid securities of equivalent value.

Nomineeship risk

The legislative framework in some markets is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in securities. Consequently, the courts in such markets may consider that any nominee or custodian as registered holder of securities would have full ownership thereof and that a beneficial owner may have no rights whatsoever in respect thereof.

Investors' attention is drawn to the fact that any Investor will only be able to fully exercise his Shareholder rights directly against the Company, if the Investor is registered himself in the Shareholders' register. In cases where an Investor invests in the Company through a Nominee type of intermediary investing into the Company in its own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investor investing through a Nominee type of intermediary or custodian must notably be aware that in case of discontinuity in the operation of such intermediary or custodian, whether due to insolvency, bankruptcy or other cause, there is a risk of delay in the ability to exercise rights or even loss of rights. Investors are advised to take advice on their rights.

Non-Regulated Markets risk

Some Funds may invest in securities of issuers in countries whose markets do not qualify as regulated markets due to their economic, legal, or regulatory structure. Such markets present unusual risks compared to more developed markets that benefit from a regulatory regime that is more established and transparent.

Political and Economic risk

Many of the sovereign and corporate debt obligations which some Funds will acquire are generally considered by international credit rating agencies such as Moody's and Standard & Poor's to be below "Investment Grade". As such, they are regarded by these credit rating agencies as speculative with regard to the borrower's capacity to pay interest and repay principal in accordance with their terms and as involving major risk exposure to adverse market conditions.

Investments in sovereign and corporate debt obligations which are below "Investment Grade" are subject to the risk that the issuer could default on its obligations and that a Fund could sustain losses on such investments.

It is likely that below "Investment Grade" sovereign debt obligations may offer less liquidity than "Investment Grade" sovereign debt obligations. Accordingly, there may be no readily available market for the timely liquidation of certain investments made by a Fund in such investments.

A number of the countries in whose debt obligations the Funds plan to invest are exposed to the risks of political and economic instability, including high rates of inflation and currency fluctuation. Further, the ability of such countries to service their debt commitments is dependent on the health of their economies generally and on the accumulation of sufficient foreign currency assets in the form of balance of payment surpluses and international currency reserves.

"Pre-Payment" and Refinancing risk

Generally, loans can be paid back ("pre-payment") or refinanced before their maturity date. The possibility of "pre-payment risk" or refinancing risk may force the Fund to reinvest the proceeds of such investment in securities offering lower yields, thereby reducing the Fund's interest income, or to experience negative market value returns and/or potential principal losses, if these loans are trading at a premium to their principal amount and are subsequently paid down or refinanced at par value.

Reinvestment of Collateral risk

Following reinvestment of collateral as defined in Appendix B. of this Prospectus "Investment Restrictions", the entirety of the risk considerations set out in this section regarding regular investments apply.

Repurchase and Reverse Repurchase Agreement risk

The Company may, on behalf of each Fund, from time to time enter into repurchase agreement transactions which consist of the purchase and sale of securities with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and term specified by the two parties in their contractual arrangement. The Company can act either as purchaser or seller in repurchase agreement transactions or in a series of continuing repurchase agreement transactions. The Company may not buy or sell securities using a repurchase agreement transaction unless the counterpart in such transaction is a financial institution of high standing specialising in this type of transaction. During the life of a repurchase agreement under which the Company has bought securities, the Company cannot sell the securities which are the object of

the transaction before the right to repurchase these securities has been exercised by the counterpart or before the repurchase term has expired. The Company must take care to ensure that the level of its exposure to repurchase agreement transactions is such that it is able, at all times, to meet its obligations to redeem its Shares.

In a reverse repurchase transaction, a Fund could incur a loss if the value of the purchased securities has decreased in value relative to the value of the cash or margin held by the relevant Fund.

Restructuring Companies risk

The Funds may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions; they may also purchase indebtedness and participations therein, both secured and unsecured, of debtor companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks.

Securities Lending risk

The Company may lend each Fund's portfolio securities to specialised banks, credit institutions and other financial institutions of high standing, or through recognised clearing institutions such as Clearstream or Euroclear. The lending of securities will be made for periods not exceeding thirty (30) calendar days. Loans will be secured continuously by collateral consisting of cash, and/or securities issued or guaranteed by member states of the OECD or by their local authorities which at the conclusion of the lending agreement, must be at least equal to the value of the global valuation of the securities of each Fund lent. The collateral must be blocked in favour of the Company until the termination of the lending contract. Lending transactions may not be carried out on more than 50% of the aggregate market value of the securities of each Fund's portfolio; provided, however, that this limit is not applicable where the Company has the right to terminate the lending contract at any time and obtain restitution of the securities lent. Any transaction expenses in connection with such loans may be charged to the concerned Fund.

Currently, the Company does not intend to lend securities of the Franklin Floating Rate II Fund's portfolio.

Sovereign Debt risk

Sovereign debts ("Sovereign Debts") are debt obligations issued or guaranteed by governments or government-related entities.

Investment in Sovereign Debts issued or guaranteed by governments or their agencies and instrumentalities ("governmental entities") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the International Monetary Fund.

Sovereign Debt holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such debt by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure of delay in repayment).

Funds may invest in Sovereign Debt issued by governments or government-related entities from countries referred to as Emerging Markets or Frontier Markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls.

Swap Agreements risk

The Company may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Company than if the Company had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return on or increase in value of a particular US Dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Company's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). The Company's obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Company) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by the maintenance of a segregated account consisting of cash, United States of America government securities, or high grade Obligations, to avoid any potential leveraging of the Company's portfolio.

Whether the Company's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Manager(s) to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven

calendar days, swap agreements may be considered to be illiquid. Moreover, the Company bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Investment Manager(s) will cause the Company to enter into swap agreements in accordance with the guidelines in Appendix B.

Warrants risk

Investments in and holding of warrants may result in increased volatility of the Net Asset Value of certain Funds, which may make use of warrants, and accordingly are accompanied by a higher degree of risk.

Investors should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s) investment objective(s) will be attained. Neither the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.

Management Company

The Board of Directors is responsible for the overall investment policy, objectives and management of the Company and its Funds.

Franklin Templeton International Services S.à r.l. has been authorised by the CSSF to act as an alternative investment fund manager pursuant to the Law of 12 July 2013 and has been designated by the Board of Directors as Management Company to perform investment management, administration and marketing functions as well as activities related to the assets of the Company and to act as domiciliary agent to the Company. The Management Company has delegated the portfolio management services to the Investment Managers. The Management Company and the Investment Managers are members of Franklin Templeton Investments.

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

The Management Company may provide temporary financing or guarantees to/for the AIFs to which it provides services including, in connection with their subscription and redemption activities, maintaining collection accounts, financing contingent deferral sales charges or performing similar activities.

Franklin Templeton International Services S.à r.l. was authorised on 21 November 2013 as a management company managing UCITS and other UCIs 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 Management Company, as the alternative investment fund manager of the Company, is responsible for:

(i) The investment management function in respect of the Company which includes portfolio management and risk management;

(ii) The general administration of the Company, including:

   a. Legal and fund management accounting services;

   b. Response to customer inquiries;

   c. Valuation and pricing of the assets of the Company, including tax returns;

   d. Regulatory compliance monitoring;

   e. Maintenance of the Shareholder register;

   f. Distribution of income;

   g. Issue and redemption of Shares;

   h. Settlement of contracts, including certificates dispatch;

   i. Record keeping;

(iii) Marketing functions;

(iv) Activities related to the assets of the Company.

As of the date of the Prospectus, the Management Company 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 Management Company.

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

The Management Company will receive periodic reports from the Investment Managers detailing the Funds' performance and analysing their investments. The Management Company will receive similar reports from the other services providers in relation to the services which they provide.

Franklin Templeton International Services S.à r.l. will also act as registrar and transfer, corporate, domiciliary and administrative agent of the Company and will therefore be responsible for processing the purchase, selling and switching of Shares, the maintenance of accounting records and all other administrative functions as required by the laws of the Grand Duchy of Luxembourg.

Professional Liability Risks

The Management Company covers its potential liability risks arising from professional liability by holding the appropriate additional "own funds" (within the meaning of the Law of 12 July 2013).

Risk Management Process and Liquidity Management

The Management Company employs a risk management process which enables it to monitor and measure at any time the risk of the positions of the Company. Furthermore, the Management Company employs a process for accurate and independent assessment of the value of OTC derivative instruments which is communicated to the CSSF on a regular basis in accordance with Luxembourg law.

The Leverage calculation in accordance with the Gross and Commitment Methods are explained in more detail in Appendix B – "Investment Restrictions".

The Management Company maintains a liquidity management process to monitor the liquidity risk of the Funds, 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 Management Company to apply various tools and arrangements necessary to ensure that the portfolio of each Fund 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 section "Suspension of Calculation of Net Asset Value" in Appendix D.

Upon request of investors, the Management Company will provide further details regarding the risk management process and liquidity management.

Investment Managers

The Investment Managers mentioned in the section "Administrative Information" have been appointed by the Management Company to act as investment managers to the Funds of the Company as may other affiliated investment advisory companies within Franklin Templeton Investments and to provide portfolio day-to-day management in respect of the investment and re-investment of the net assets of the Funds.

The Investment Managers shall render to the Management Company written reports of the composition of the assets of the Funds under their management as often as the Management Company shall reasonably require.

The Investment Managers and their affiliates serve as advisers for a wide variety of public investment mutual funds and private clients in many nations. Franklin Templeton Investments has been investing globally for over 60 years and provides investment management and advisory services to a worldwide client base, including over 24 million shareholder accounts. The Franklin Templeton Investment Managers are indirect wholly owned subsidiaries of FRI. Through its subsidiaries, FRI is engaged in various aspects of the financial services industry. Details of the value of assets currently managed by Franklin Templeton Investments can be accessed on http://www.franklintempleton.lu.

Depositary

The Bank of New York Mellon SA/NV, Luxembourg Branch (previously The Bank of New York Mellon (Luxembourg) S.A.) has been appointed as the Company's depositary within the meaning of the Law of 12 July 2013. The Depositary was appointed by an agreement dated 30 April 2014, which may be terminated on 90 days' notice.

The Bank of New York Mellon SA/NV is a Belgian public limited liability company, authorised and regulated as a credit institution by the National Bank of Belgium ("NBB") and supervised by the European Central Bank. It is an indirect wholly-owned subsidiary of The Bank of New York Mellon Corporation, holds a banking licence and is regulated by the NBB. The Luxembourg branch of The Bank of New York Mellon SA/NV is established at Vertigo Building 2-4 Rue Eugène Ruppert, L-2543 Luxembourg, Grand Duchy of Luxembourg.

The Bank of New York Mellon SA/NV, Luxembourg Branch performs the custodial and depositary functions in accordance with the Law of 12 July 2013 and the Law of 17 December 2010. The principal duties of the Depositary are as follows:

a) Safe-keeping of the assets of the Company that can be held in custody (including book entry securities) and record-keeping of assets that cannot be held in custody in which case the Depositary must verify their ownership;

b) Ensure that the Company's cash flows are properly monitored, and in particular ensure that all payments made by or on behalf of investors upon the subscription of Shares in the Company have been received and that all cash of the Company has been booked in cash accounts that the Depositary can monitor and reconcile;

c) Ensure that the issue, redemption and cancellation of Shares of the Company are carried out in accordance with applicable laws and the Articles;

d) Ensure that the value of the Shares of the Company is calculated in accordance with applicable laws, the Articles and the valuation procedures;

e) Carry out the instructions of the Management Company, unless they conflict with applicable laws or the Articles;

f) Ensure that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;

g) Ensure that the Company's income is applied in accordance with applicable laws and the Articles.

In relation to the Depositary's duties regarding custody as referred to in paragraph a), in respect of financial instruments which can be held in custody, the Depositary is liable to the Company or the Shareholders for any loss of such financial instruments held by the Depositary or any delegate, in accordance with the provisions of the Law of 12 July 2013.

The Depositary has not entered into arrangements to contractually discharge itself of liability in accordance with article 19 (13) or 19 (14) of the Law of 12 July 2013.

In relation to all the other Depositary's duties including those referred to in paragraphs a) to g), the Depositary is liable to the Company or the Shareholders for all other losses suffered by it or them as a result of the Depositary's negligent or intentional failure to properly fulfil such obligations.

Auditor

The auditor of the Company is Ernst & Young S.A., 35E avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

The auditor shall, with respect to the assets of the Company, carry out the duties provided by the Law of 12 July 2013, including the audit of the accounting information contained in the annual report of the Company.

Conflict of Interest

The Management Company maintains and operates organizational, 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 its 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.

The Management Company's conflict of interest policy overview, including any potential material conflicts of interest, can be accessed on the Franklin Templeton Investments Internet site http://www.franklintempleton.lu.

Shareholder's Rights Against Service Providers

Shareholders will not have any direct contractual rights against the service providers of the Company appointed from time to time.

Applicable Law and Jurisdiction

The Company is incorporated under the laws of the Grand Duchy of Luxembourg.

By applying for Shares when submitting the Company's Application Form, the relevant investor agrees to be bound by the terms and conditions of the Application Form, the Prospectus and the Articles. This contractual relationship is governed by Luxembourg laws. The Company, the Management Company and Shareholders will be subject to the exclusive jurisdiction of the courts of Luxembourg to settle any dispute or claim arising out of or in connection with a Shareholder's investment in the Company or any related matter.

According to Council Regulation 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, a judgement given and enforceable in an EU Member State shall in principle be recognised in the other EU Member States without any special procedure being required and shall generally be enforceable in the other EU Member States on the application of any interested party, save in certain circumstances. Council Regulation 44/2001 of 22 December 2000 shall be replaced by EU Regulation 1215/2012 of 12 December 2012 which shall apply from 10 January 2015.

Publication of Share Prices

The Net Asset Value per Share of each Fund and Share Class is made public at the registered office of the Company and the Management Company. The Company will arrange for the publication of the Net Asset Value per Share of relevant Funds as required under applicable laws and in such newspapers as the Board of Directors may decide from time to time. This information is also available on the Internet site: http://www.franklintempleton.lu. The Company and the Management Company cannot accept any responsibility for any error or delay in publication or for the non-publication of prices.

Investor General Information

Prior Considerations

The exclusive objective of the Company is to invest the assets of the Funds in transferable securities and other permitted assets of any kind with the purpose of spreading investment risks and affording its Shareholders the results of the management of its assets. Investors should give careful consideration to their own personal investment objectives and any local regulatory or tax implications applicable to their circumstances. Investors are recommended to obtain advice from local financial and tax advisors. Further information regarding tax is provided in the sections "Taxation of the Company" and "Taxation of Investors".

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

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentation from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.

The Funds are registered in Luxembourg. The Funds may be marketed in Luxembourg and other member states of the EEA, to professional investors only, on the basis of the passport regime set out in article 29 and following of the Law of 12 July 2013. The Company may apply for registration of the Shares in various other legal jurisdictions worldwide. Outside of the EEA, the Company may be marketed to any investors in compliance with any applicable local laws. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions.

Issue of Shares

Shares are made available through the Principal Distributor. The Principal Distributor will, from time to time, enter into contractual agreements with several other sub-distributors, intermediaries, Broker/Dealers and/or professional investors for the distribution of those Shares.

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

The Company 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 Luxembourg 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:

1) decline to issue any Share and decline to register any transfer of a Share, where it appears to it that such registration or transfer would or might result in beneficial ownership of such Share by a Prohibited Person;

2) at any time require any person whose name is entered in, or any person seeking to register the transfer of Shares on, the register of shareholders to furnish it with any representations and warranties or any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not, to what extent and under which circumstances, beneficial ownership of such Shareholder's Shares rests or will rest in a Prohibited Person, or whether such registration will result in beneficial ownership of such Shares by a Prohibited Person;

3) 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

4) decline to accept the vote of any Prohibited Person at any meeting of shareholders of the Company.

Listing of Shares

Certain eligible Share Classes are or will be listed on the relevant stock exchange in Luxembourg. The Board of Directors may decide to make an application to list the Shares of any Class on any other stock exchange.

Form and Currency of Shares

All Shares are issued in registered form. Fractional registered shares will be rounded to three (3) decimal places. Any deal order with a stated Share amount with more than three (3) decimal places will be rounded to three (3) decimal places, using conventional rounding to the nearest thousandths place.

The Company may offer within a Fund several Alternative Currency Share Classes as described in Section "Share Classes".

Some Classes of each Fund may also be held and transferred through accounts maintained with some clearing systems. More detailed information may be obtained from the Management Company upon request.

Dealing Cut-Off Times

Dealing Cut-Off Times are detailed in Appendix A. The Company and/or the Management Company may permit, if it deems it appropriate, different Dealing Cut-Off Times to be agreed with local distributors or for distribution in jurisdictions where the different time zone so justifies. In such circumstances, the applicable Dealing Cut-Off Time applied must always precede the time when the applicable Net Asset Value is calculated and published. Such different Dealing Cut-Off Times shall be disclosed in the agreements in place with the local distributors, or other marketing material used in the jurisdictions concerned.

Calculation of Share Prices/Net Asset Value

The prices at which Shares of the relevant Share Classes can be purchased, sold or switched in each Share Class are calculated on each Valuation Day by reference to the Net Asset Value per Share of the Share Class concerned and are available on the following Business Day.

Details of the calculation of the Net Asset Value are provided in Appendix D. Instructions received in writing by the Management Company in Luxembourg or by a duly authorised distributor, prior to the applicable Dealing Cut-Off Time on any Dealing Day, will be dealt with at the relevant Net Asset Value per Share determined for that Valuation Day.

All deal instructions shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Valuation Day.

Suspension of dealing and Share Prices/Net Asset Value

The calculation of the Net Asset Value (and consequently purchases, sales and switches) of any Share of any Fund may be suspended by the Company pursuant to the power reserved to it by its Articles and as described in Appendix D. Instructions made or pending during such suspension may be withdrawn by notice in writing received by the Management Company prior to the end of such suspension. Unless withdrawn, instructions will be considered as if received on the first Valuation Day following the end of the suspension.

Fund Liquidations and Fund Mergers

If the net assets of any Fund are at any time below USD 50 million, or the equivalent thereof in the currency of the relevant Fund, the Board of Directors may decide to liquidate such Fund and redeem all outstanding Shares or close down such Fund by contribution of its assets in another undertaking for collective investment. Notice of such liquidation or merger will be sent to the registered Investors. The price at which Shares will be redeemed will be the Net Asset Value per Share of such Fund determined upon realisation of all assets attributable to such Fund. Further details are provided in Appendix C.

Minimum Investment

The minimum initial investment in the Shares of each Fund is USD 5,000 (or USD 2,500 in the case of switches), USD 5,000,000 for Class I Shares, USD 500,000 for Class W Shares, or the equivalent in any other freely exchangeable currency, except for investment made by professional Nominees. Such minimum investment amounts may be waived in whole or in part by the Board of Directors or by the Management Company. Existing holders of Shares in any Fund may add to their Holdings in that Fund provided the minimum increase for any purchase is USD 1,000 or the equivalent in any other freely exchangeable currency.

Nominee

Investors may invest through a Nominee type of intermediaries, dealers and/or local paying agents. The Nominee name will appear on the register of Shareholders of the Company and the Nominee may effect purchases, switches and sales of Shares on behalf of the Investors.

The Nominee maintains its own records and provides the Investors with individualised information as to their Holdings. Unless otherwise provided by local law, any Investor investing through a Nominee type of intermediary has the right to claim direct title to the Shares purchased on his/her/its behalf by the Nominee.

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

Third Party Payments

Investors are informed that it is the Company's policy not to make payment to or accept payment from a party other than the registered Shareholder.

Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account, located in a country other than the Investor's country of residence, the Company and/or the Management Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentation is received that provides additional investor protection to the satisfaction of the Company and/or the Management Company.

Telephone Recording

The Management Company may use telephone recording procedures to record any conversation. Investors are deemed to consent to the tape-recording of conversations with the Management Company and to the use of such tape recordings by the Management Company and/or the Company in legal proceedings or otherwise at their discretion. In addition, some local Franklin Templeton Investments offices may need to record telephone calls and electronic communications for training, monitoring purposes and/or to confirm Investors' instructions. Recordings will be provided on request (in which case a fee may be charged) for a period of five years from the date of such recording or seven years when specificly required by regulatory authorities.

Investor Portfolio

Investors will be given at least one personal Investor Portfolio Number. Such personal Investor Portfolio Number should be used in all correspondence with the Company or the Management Company. In the event that more than one personal Investor Portfolio Number is attributed to the same Investor, all such personal Investor Portfolio Numbers should be indicated for any request concerning all the Portfolios held by the Investor.

Contract Notes

Following the execution of a transaction, a Contract Note will be dispatched to the Investor normally within fourteen (14) Business Days. Investors should promptly check this Contract Note to ensure that each transaction has been accurately recorded in the relevant Investor Portfolio. In the event of identifying a discrepancy Investors should immediately report such

discrepancy in writing to the Management Company or their local Franklin Templeton Investments servicing office. If not so reported within fifteen (15) Business Days from the Contract Note date, the transaction will be deemed correct and the Investor will be bound by the terms of the Contract Note.

Personal Theft

Any correspondence issued by the Company and/or the Management Company is private and confidential. To safeguard Investors' Holdings, in the case of loss or theft of any correspondence with the Company (or of identity documents/passport), Investors should immediately inform their local Franklin Templeton Investments servicing office.

Data Protection

All personal data of Investors (the "Personal Data") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Management Company may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the Management Company and other companies of Franklin Templeton 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 Luxembourg and/or the European Union, including the US and India. Such Personal Data shall be processed for the purposes of account administration, development of business relationships, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, for the purpose of compliance with FATCA or similar laws and regulations (e.g. on OECD level). The Company and/or the Management Company, for the purpose of FATCA or other legal compliance, may be required to disclose Personal Data relating to US Persons and/or non-participant FFIs to the Luxembourg tax authorities which may transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton Investments group may also use Personal Data for other purposes set forth in the Franklin Templeton Privacy and Cookies Notice (the "Privacy Notice").

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

The Privacy Notice provides, among other, further information on the Company's and Franklin Templeton Investments' use of Personal Data, the types of Personal Data processed, the other purposes for which Personal Data is processed, the list of entities involved in the processing of Personal Data as well as the rights of the data subjects. The Privacy Notice is available on the Internet site: www.franklintempletonglobal.com/privacy (a paper copy will be made available free of charge upon request). If an Investor wishes to exercise its individual rights, or to raise any question, concern or complaint concerning the Privacy Notice, it may contact the Management Company or alternatively, the Data Protection Officer (Email address: DataProtectionOfficer@franklintempleton.com) at Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L 1246 Luxembourg.

Investors' attention is drawn to the fact that the Privacy Notice is subject to change at the sole discretion of the Management Company and/or the Company.

Anti-Money Laundering and Counter-Terrorist Financing Legislation

Pursuant to the Luxembourg law of 5 April, 1993 relating to the financial sector (as amended), Directive 2015/849/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorism financing and the Luxembourg law of 12 November 2004 relating to money laundering and counter terrorist financing (as amended), as well as to the circulars of the Luxembourg supervisory authority, obligations have been imposed on the Company to take measures to prevent the use of investment funds for money laundering and terrorist financing purposes.

Accordingly, the Management Company has established a procedure to identify all the Company’s investors. To meet the Management Company's requirements Investors should submit any necessary identification documents together with the application form. For private individuals this will be a passport or identity card copy duly certified to be a true copy by an authorised body in their resident country. Legal entities will be required to produce documents such as proof of regulation, membership to a recognised stock exchange, or company articles of incorporation/by-laws or other constitutive documents as applicable. The Management Company is also obliged to identify any beneficial owners of the investment. The requirements apply to both purchases made directly to the Company and indirect purchases received from an intermediary. In this context, Investors must inform without delay the Management Company or the Company when the person(s) designated as beneficial owner(s) change and in general, ensure at all times that each piece of information and each document provided to the Management Company or intermediary remains accurate and up-to-date.

The Management Company reserves the right to ask at any time for additional information and documentation, such as source of funds and origin of wealth, as may be required in higher risk scenarios or to comply with any applicable laws and regulations. In case of delay or failure to provide such information and/or documentation, the Management Company may delay or reject the processing of purchase or sale instructions, or any other transaction. The Management Company may also delay or

suspend the payment of dividends until relevant and satisfactory information and/or documentation is received. Neither the Company nor the Management Company have any liability for delays or failure to process deals as a result of the Investor providing no or only incomplete information and/or documentation.

Such information provided to the Management Company is collected and processed for anti-money laundering and counter-terrorist financing compliance purposes.

Trading Policy

Market timing/short term trading generally. The Company discourages short-term or excessive trading, often referred to as "market timing", and intends to seek to restrict or reject such trading or take other action, as described below, if in the judgment of the Company or Management Company such trading may interfere with the efficient management of the portfolio of any Fund, may materially increase the Fund's transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Company and its Shareholders.

Market timing consequences. If information regarding an Investor's activity in the Company or in any other Franklin Templeton investment funds or non-Franklin Templeton investment funds is brought to the attention of the Company or the Management Company and based on that information the Company or Management Company or their agents in their sole discretion conclude that such trading may be detrimental to the Company as described in this Market Timing Trading policy, the Company may temporarily or permanently bar an Investor's future purchases into the Company or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which a Shareholder may request future purchases and sales (including purchases and/or sales by a switch or transfer between the Company and any other Franklin Templeton investment funds).

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

Market timing through financial intermediaries. Investors are subject to this policy whether they are a direct Shareholder of the Fund or are investing indirectly in the Company through a financial intermediary such as a bank, an insurance company, an investment advisor, or any other Distributor that acts as Nominee for Investors subscribing the Shares in their own name but on behalf of its customers (the Shares being held in an "omnibus holding").

While the Management Company will encourage financial intermediaries to apply the Company's Market Timing Trading policy to their customers who invest indirectly in the Company, the Management Company is limited in its ability to monitor the trading activity or enforce its Market Timing Trading policy with respect to customers of financial intermediaries. For example, should it occur, the Management Company may not be able to detect market timing that may be facilitated by financial intermediaries or made difficult to identify in the omnibus accounts used by those intermediaries for aggregated purchases, switches and sales on behalf of all their customers. More specifically, unless the financial intermediaries have the ability to apply the Company's Market Timing Trading policy to their customers through such methods as implementing short-term trading limitations or restrictions, monitoring trading activity for what might be market timing, the Management Company may not be able to determine whether trading by customers of financial intermediaries is contrary to the Company's Market Timing Trading policy.

Risks from market timers. Depending on various factors, including the size of the Fund, the amount of assets the Investment Manager(s) typically maintains in cash or cash equivalents and the US Dollar amount and number and frequency of trades, short-term or excessive trading may interfere with the efficient management of the Fund's portfolio, increase the Fund's transaction costs, administrative costs and taxes and/or impact Fund performance.

In addition, if the nature of the Fund's portfolio holdings expose the Fund to Investors who engage in the type of Market Timing Trading that seeks to take advantage of possible delays between the change in the value of a Fund's portfolio holdings and the reflection of the change in the Net Asset Value of the Fund's Shares, sometimes referred to as "arbitrage market timing", there is the possibility that such trading, under certain circumstances, may dilute the value of Fund Shares if selling Investors receive proceeds (and buying Investors receive Shares) based upon Net Asset Value which do not reflect appropriate fair value prices. Arbitrage market timers may seek to exploit possible delays between the change in the value of a Fund's portfolio holdings and the Net Asset Value of the Fund's Shares in Funds that hold significant investments in foreign securities because certain foreign markets close several hours ahead of the US markets, and in Funds that hold significant investments in small-cap securities, high-yield ("junk") bonds and other types of investments which may not be frequently traded.

The Company and the Management Company are currently using several methods to reduce the risk of market timing. These methods include:

- reviewing Investor activity for excessive trading, and
- committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to this Market Timing Trading policy.

Though these methods involve judgments that are inherently subjective and involve some selectivity in their application, the Management Company seeks to make judgments and applications that are consistent with the interests of the Company's Investors. There is no assurance that the Management Company or its agents will gain access to any or all information necessary to detect market timing in omnibus holdings. While the Management Company will seek to take actions (directly and with the assistance of financial intermediaries) that will detect market timing, the Management Company cannot represent that such trading activity can be completely eliminated.

Revocation of market timing trades. Transactions placed in violation of the Company's Market Timing Trading policy are not necessarily deemed accepted by the Company and may be cancelled or revoked by the Company or the Management Company on the Valuation Days following receipt by the Management Company.

Contact Details

Contact details for the Management Company can be found in the section "administrative information", on the application form, a Contract Note or the Franklin Templeton Investments Internet site http://www.franklintempleton.lu.

Share Classes

Share Classes Available

The following Share Classes are or will be issued upon a decision of the Board of Directors:

Class A	Class I	Class W	Class X	Class Y
Class A acc	Class I acc	Class W acc	Class X acc	Class Y acc
Class A Mdis	Class I Mdis	Class W Mdis	Class X Mdis	Class Y Mdis
Class A Qdis	Class I Qdis	Class W Qdis	Class X Qdis	Class Y Qdis
Class A Ydis	Class I Ydis	Class W Ydis	Class X Ydis	Class Y Ydis

Unless otherwise stated in the Prospectus, the same terms and conditions apply to the different types of Shares i.e. accumulation (acc), monthly distribution (Mdis), quarterly distribution (Qdis) and yearly distribution (Ydis), of the same Share Class.

The difference in the various Share Classes relates to the fee structure and/or the dividend policy applicable to each of them. Shares can be either Distribution or Accumulation Shares. The Board of Directors intends to distribute all of the income attributable to the Distribution Shares. No distribution of dividends shall be made for the Accumulation Shares, however the income attributable will be reflected in the increased value of the Shares. Dividends may be paid monthly, quarterly or annually. Further details are provided in the following sections, as well as in the "Dividend Policy" section.

The purchase proceeds of the various Share Classes of a Fund are invested in one common underlying portfolio of investments but the Net Asset Value of each Share Class will be different as a result of differences in the issue price, fee structure and dividend policy.

Class I Shares are only offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors).

Class W Shares are intended to be offered through intermediaries, distributors, platforms and/or Brokers/Dealers which,

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU based on a separate fee arrangements with their clients for the provision of investment advice.

Class X Shares may only be offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company or the Investment Manager and its affiliates.

Class X Shares are, *inter alia*, designed to accommodate an alternative charging structure whereby a fee covering the investment management fees, as contemplated into section "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton Investments and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class X Shares.

Class X Shares will however bear their pro-rata share of any other applicable expenses such as registrar, transfer, corporate, domiciliary, administration, depositary, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in sections "Management Company Remuneration" and "Other Company Charges and Expenses".

Class Y Shares may only be offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company and/or its affiliates.

Class Y Shares are, *inter alia*, designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration fees, as contemplated into sections "Management Company Remuneration" and "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton Investments and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y Shares.

Class Y Shares will however bear their pro-rata share of any other applicable expenses such as depositary, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in section "Other Company Charges and Expenses".

The Company and the Management Company will not issue, execute a switch of or transfer Shares to any Investor who is deemed not to meet the above eligibility requirements. If it is identified at any time that a holder of one or several of the above Share Classes does not qualify, or no longer qualifies, the Management Company or the Company will instruct the Investor to switch such Shares into an eligible Share Class. If a switch is not executed, the Company or the Management Company will redeem and/or switch said Shares in accordance with the conditions and procedures set forth in the Articles.

A complete list of available Shares Classes may be obtained from the Franklin Templeton Investments Internet site http://www.franklintempleton.lu or upon request at the registered office of the Company and of the Management Company.

List of Qualifying Institutional Investors

- Institutional investors stricto sensu, such as banks and other regulated professionals of the financial sector, insurance and reinsurance companies, social security institutions and pension funds, charitable institutions, industrial, commercial and financial group companies, all subscribing on their own behalf, and the structures which such Institutional Investors put into place for the management of their own assets.
- Credit institutions and other regulated professionals of the financial sector investing in their own name but on behalf of Institutional Investors as defined above.
- Credit institutions and other regulated professionals of the financial sector established in Luxembourg or abroad which invest in their own name but on behalf of their non-institutional clients on the basis of a discretionary management mandate.
- Collective investment undertakings established in Luxembourg or abroad.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholders are Institutional Investors as described in the foregoing paragraphs.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholder(s)/ beneficial owner(s) is/are individual person(s) which is/are extremely wealthy and may reasonably be regarded as sophisticated investor(s) and where the purpose of the holding company is to hold important financial interests/investments for an individual or a family.
- A holding company or similar entity, whether Luxembourg based or not, which as a result of its structure and activity has a true substance and holds important financial interests / investments.

Alternative Currency Classes

Share Classes may be offered in the following currencies:

- Australian Dollar (AUD)
- Euro (EUR)
- Swiss Franc (CHF)
- US Dollar (USD)
- UK Sterling (GBP)

- Japanese Yen (JPY)

or any other freely convertible currency.

The Net Asset Value of Alternative Currency Share Classes will be calculated and published in the alternative currency and purchase payments for such Share Classes are to be paid by the Investors, and sale proceeds are paid to selling Investors, in such alternative currency. The Company does not currently intend to hedge the currency risks to which these Share Classes are exposed, except for Hedged Share Classes.

The terms and conditions applicable to the Share Classes available in alternative currency are the same as those which apply for the same Share Classes offered in the base currency.

The Board of Directors may decide to offer an Alternative Currency Share Class in another currency than those mentioned above in which case the Prospectus will be updated.

Hedged Share Classes

The Board of Directors may, in respect of each Fund, decide to issue Hedged Share Classes where the base currency of the Fund may be hedged into the Hedged Share Class' alternative currency to reduce exchange rate fluctuations and to reduce return fluctuations

The terms and conditions applicable to the Hedged Share Classes are the same as those which apply for the same Share Classes offered in the base currency, the only difference being the hedging of the Hedged Share Class into the base currency of the Fund.

Currency hedging techniques may be used at Share Class level. In this context, the Investment Manager(s) will limit hedging to the extent of the relevant Hedged Share Class selected currency exposure. Over-hedged positions will not normally exceed 105% of the Net Asset Value of the relevant Hedged Share Class and under-hedged positions shall not normally fall short of 95% of the portion of the Net Asset Value of the relevant Hedged Share Class which is to be hedged against selected currency risk. Hedged positions will be reviewed on an on-going basis by the Investment Manager(s), to ensure that over-hedged or under-hedged positions do not exceed/fall short of the permitted levels outlined above. In the event that the hedging in respect of a Hedged Share Class exceeds permitted tolerances due to market movements or Subscription/Redemptions of Shares, the Investment Manager(s) shall adjust such hedging appropriately.

Shareholders should also note that generally there is no segregation of assets and liabilities between Share Classes and therefore a counterparty to a derivative overlay entered into in respect of a Hedged Share Class may have recourse to the assets of the relevant Fund attributable to other Share Classes of that Fund where there is insufficient assets attributable to the hedged Share Class to discharge its liabilities. While the Company has taken steps to ensure that the risk of contagion between Share Classes is mitigated in order to ensure that the additional risk introduced to the Fund through the use of a derivative overlay is only borne by the Shareholders in the relevant Share Class, this risk cannot be fully eliminated.

An up-to-date list of the Share Classes utilising a currency overlay is available upon request at the registered office of the Company.

Entry Charge and Contingent Deferred Sales Charge

Class A Shares

- Entry Charge

The price at which Class A Shares will be offered is the Net Asset Value per Share, plus an entry charge of up to 6.5% of the total amount invested. This maximum charge, assuming that no other charges or expenses are applicable, amounts to approximately 6.95% of the aggregate Share price of the Shares being acquired.

Out of this charge the Principal Distributor may make payments to sub-distributors, intermediaries, Broker/Dealers and/or professional investors, who may include affiliates of Franklin Templeton Investments. The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the relevant Fund.

If in any country in which the Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may sell Class A Shares, and may authorise sub-distributors, intermediaries, Broker/Dealers and/or professional investors to sell Class A Shares, within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

- Qualified Investments of USD 1 Million or More

In relation to qualified investments of USD 1 million or more in respect of Class A Shares, the entry charge may be waived and a Contingent Deferred Sales Charge ("CDSC") of up to 1.00% may apply if an Investor sells Shares within 18 months after each investment in order to recover commissions paid to sub-distributors, intermediaries, Broker/Dealers and/or professional investors. The CDSC is up to 1.00% of the total cost of such Shares (exclusive of reinvested dividend distributions), and is retained by the Principal Distributor. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

Qualified investments are investments made either as a lump sum or through cumulative orders of the Investor, his spouse, his children and/or grandchildren if they are under the age of 18. For the purpose of the application of the qualified investments rules, Holdings in other investment funds offered by Franklin Templeton Investments may be combined at the Investor's request. Information on the investment funds which shares may be combined, and details of the procedure, terms and conditions applicable may be obtained from the Management Company upon request.

No switch with Shares of other Share Classes will be allowed for Shares subject to such contingent deferred sales charge.

Class I, W, X and Y Shares

The price at which Class I, W, X and Y Shares will be offered is the Net Asset Value per Share. Purchases of Class I, W, X and Y Shares are neither subject to an entry charge nor CDSC.

Calculation of CDSC

The CDSC applicable for qualifying A Shares is based on the Net Asset Value of the Shares when purchased. The calculation is made based on the relevant currency of the Shares being sold. There is no CDSC on Shares acquired through reinvestment monies. To keep the CDSC as low as possible, each time an instruction to sell Shares is placed, any Shares in the Investor's Holding not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Shares will be sold in the order they were purchased. The amount of the CDSC is calculated by multiplying the percentages indicated in the chart displayed in Appendix E by the Net Asset Value of the Shares being sold or their Net Asset Value when purchased whichever is applicable.

The holding period for the purposes of applying a CDSC on Shares of a particular Fund acquired through a switch of Shares from another Fund will be measured from the date that such Shares were initially acquired in the other Fund.

Amounts assessed as a CDSC are paid to the Principal Distributor, or such other party as the Company may from time to time appoint to defray distribution costs incurred by the Principal Distributor or such other party. The CDSC may be waived in whole or in part by the Principal Distributor and/or such other party at its discretion either for individual Investors or for particular groups of Investors. The Company has committed to pay to the Principal Distributor or the relevant third party the CDSC at the rates set forth in appendix E of this Prospectus net of any taxes. In case any taxes would be payable on said amounts, the amount of CDSC would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Prospectus, no reason to believe that any taxes are due or levied on the CDSC.

Specific features of Share classes

Specific features of the Share classes offered are provided in the table below.

Share Class Overview	Class A	Class I	Class W	Class X	Class Y
Minimum Investment	USD 5,000	USD 5,000,000	USD 500,000	Details available from the Company or the Management Company	Details available from the Company or the Management Company
Subsequent Investment	USD 1,000	USD 1,000	USD 1,000	Details available from the Company or the Management Company	Details available from the Company or the Management Company

How To Purchase Shares

How to Apply

Prospective Investors should complete an application form and send it together with applicable identification documents (as detailed in the application form) to the Management Company in order to purchase Shares for the first time. Applications may also be accepted by telephone, facsimile, or electronic request if expressly allowed by the Management Company. The Management Company may request the original signed application form and identification documentation to be mailed, in which case it may delay the processing of the application form until their receipt. Applications will be accepted at the discretion of the Board of Directors or the Management Company.

Processing of all application forms received by a relevant Distributor will only commence once they have been forwarded to the Management Company or to a Distributor duly authorised in writing.

Investors should also provide the documentation required for anti-money laundering and terrorist financing purposes and as more fully described in the section "Anti-Money Laundering and Counter-Terrorist Financing Legislation".

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentation from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.

By applying for Class I Shares, Investors represent to the Company and the Management Company that they qualify as one or more of the types of Institutional Investor(s) as listed in section "Share Classes" and undertake to indemnify the Company, the Management Company and/or any other entity of Franklin Templeton Investments against any and all damages, losses, costs or other expenses they may incur as a result of acting in good faith of such a representation.

Each Investor will be given a personal Investor Portfolio Number which should be quoted, along with any relevant transaction references where applicable, whenever contacting the Company and/or the Management Company.

Instructions to Purchase

Initial purchase instruction for Shares should be made on the standard application form. For subsequent purchase in an existing Investor Portfolio, no further application form is required. However, private individual Investors instructing Franklin Templeton Investments directly without using Brokers/Dealers are required to complete and sign a standard purchase form (available from our website or upon request). Any subsequent instruction to purchase Shares may be made by telephone, facsimile or electronic request, if expressly allowed by the Management Company. The Management Company may request a written and duly signed confirmation of the subsequent purchase instructions which may result in delay in the processing of the investment until receipt of the requested written confirmation. Subsequent purchase instructions will be accepted at the discretion of the Board of Directors or the Management Company.

Subsequent purchase instructions should be duly signed and:

(a) state the name of the Fund(s), the Share Class, the Share Class ISIN code (available on the Franklin Templeton Investments Internet site http://www.franklintempleton.lu) and number of Shares applied for in the Fund(s) (the number of Shares should be stated both in numbers and in words) or the amount (in numbers and in words) to be invested (which should include provision for any applicable entry charge); and

(b) state how payment has been or will be made.

If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Fund(s) Share Class quoted in the instruction, the order will be executed on the basis of the ISIN code quoted.

If any purchase instruction is not accepted in whole or in part, the purchase monies will be returned to the Investor at the risk and cost of the Investor.

An Investor may not withdraw his request for purchase except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of a purchase instruction will be effective only if written notification is received by the Management Company before termination of the period of suspension. Purchase monies will be returned to the Investor in such circumstances.

Neither the Company nor the Management Company shall be responsible or liable to any applicant or Investor for any loss resulting from the non-receipt of any application form or purchase instruction by whichever method it is sent (including non-receipt of facsimile application forms).

Purchase Price

At launch date, Shares of the Fund will be offered at USD 10, or currency equivalent (plus any applicable initial charge) of the total amount invested. From launch date onwards and for purchase instructions received in good order and accepted by the Management Company for any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), Shares will be issued at the relevant Net Asset Value per Share determined on this Dealing Day (plus any applicable entry charges). Purchase monies may be required to be received by the Management Company or the relevant Distributor in cleared funds prior to processing of the instruction. In such case, the instruction will be processed on the basis of the Net Asset Value per Share determined on the Valuation Day when such funds are received by the Management Company (plus any applicable entry charge).

A complete instruction for the purchase of Shares received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (plus any applicable entry charge).

The Net Asset Value per Share will be calculated as detailed in the section "Calculation of the Net Asset Value" in Appendix D.

The Company and/or the Management Company will inform the registered Shareholder of the price at which the Shares have been issued on their Contract Note (refer to "Contract Note" section).

How to Pay

The Company and the Management Company do not accept payments in cash, traveller's cheques or non-bank money orders. Payments should normally be made by electronic bank transfer to the bank account set forth by the Principal Distributor (as detailed in the application form). Payments can be made in the currency of the Share Class. However, an Investor may, in certain instances as permitted by the Management Company, provide for payment in any other freely exchangeable currency, in which case, the necessary foreign exchange transaction will be arranged on behalf of, and at the expense of, the Investor. Investors are advised that payments made in any other freely exchangeable currency may be delayed until the next Valuation Day to allow for currency conversion.

The Board of Directors is authorised to accept purchase of Shares in whole or in part in specie, having due regard to the requirements prescribed by the laws of the Grand Duchy of Luxembourg. In the event the Investor is unable to provide clear title on the assets the Company has the right to bring an action against the defaulting Investor.

The allotment of Shares is conditional upon receipt of purchase monies, including any applicable entry charge, which must be paid within three (3) Business Days of the Valuation Day unless the Board of Directors requires cleared funds on or prior to an application being accepted. Shares which remain unsettled for a period of thirty (30) days may be cancelled. In such circumstances, the Company and the Management Company have the right to bring an action against the defaulting Investor to obtain compensation for any loss directly or indirectly resulting from the failure by the Investor to make good settlement by the settlement date.

Where payments are made by electronic transfer or bank wire, the Management Company shall not be responsible for reconciling remittances of purchase monies where problems occur in the transmission, or as a result of inadequate or incorrect details on the transfer instructions. Bank charges in connection with an electronic transfer may be deducted from the proceeds of the transfer by the remitting bank, correspondents, agents or sub-agents, and the receiving bank may also deduct bank charges from such remittance.

How To Sell Shares

Instructions to Sell

Shares of any Class in any Fund can be sold on any Dealing Day. Instructions to sell Shares should be submitted to the Management Company in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction has not been submitted in writing, the Management Company may request a written and duly signed confirmation of such instruction, in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

Where a certificate has been issued in the name(s) of the Shareholder(s), the Board of Directors may require that such Share certificate, duly endorsed, be returned to the Management Company prior to the transaction being effectuated at any applicable Net Asset Value and therefore prior to payment being made.

The instruction must contain details of the personal Investor Portfolio Number, the Fund name, the Share Class(es) including ISIN code (available on the Franklin Templeton Investments Internet site http://www.franklintempleton.lu), the number/value of Shares to be sold, the settlement currency and the bank details. If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted.

Any instruction to sell Shares may not be executed until any previous transaction involving the Shares to be sold has been completed and settled.

If the instruction would result in a Holding balance being less than USD 2,500 (or currency equivalent), the Company may redeem such Holding balance and pay the proceeds to the Investor.

The Company and the Management Company reserve the right not to be bound to accept the sale or switch on any Valuation Day more than 5% of the value of the Shares of any Fund. In these circumstances the sale of the Shares may be deferred for a period not exceeding ten (10) Business Days and will be valued at the Net Asset Value per Share prevailing on that Dealing Day being deferred to. On such Dealing Day, deferred requests will be dealt with in priority to later requests and in the order that requests were initially received by the Management Company.

Neither the Company nor the Management Company shall be responsible or liable to any Investor for any loss resulting from the non-receipt of any instruction to sell, by whichever method it is sent.

An Investor may not withdraw an instruction to sell Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of the instruction to sell will be effective only if written notification is received by the Management Company before termination of the period of suspension. If the instruction is not so withdrawn, the sale of the Shares will be made on the next Valuation Day following the end of the suspension.

Sale Price

A complete instruction to sell received and accepted by the Management Company or by a duly authorised Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day (less any applicable CDSC).

A complete instruction to sell received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (less any applicable CDSC).

The Net Asset Value per Share will be calculated on the basis detailed in the section "Calculation of the Net Asset Value" in Appendix D.

Payment of Sale Proceeds

Payment for Shares sold will be made within three (3) Business Days after the instruction to sell has been received in good order and accepted by the Management Company and will normally be made in the Share Class currency by electronic bank transfer of funds unless otherwise instructed. Payment may also be made in any freely exchangeable currency if requested within the instruction, at the cost and risk of the Investor.

If, in exceptional circumstances as described in Appendix D, the liquidity of the Fund does not permit payment of sale proceeds within three (3) Business Days of the relevant Valuation Day, the sale proceeds will be paid as soon as reasonably practicable but without interest.

The Board of Directors are also authorised to extend the period for payment of sale proceeds to such period, not exceeding thirty (30) Business Days (shorter periods may however apply in some jurisdictions), as may be required by settlement and other constraints prevailing in the financial markets of countries in which a substantial part of the assets attributable to any Fund shall be invested, and this exclusively with respect to those Funds of the Company of which the investment objectives and policies provide for investments in equity securities of issuers in developing countries.

All payments are made at the Investor's risk with no responsibility on the part of the Distributors, the Investment Managers, the Management Company and/or the Company.

Investors are informed that it is the Company's policy not (i) to make payment to or accept payment from a party other than the registered Shareholder and (ii) to release payments to a bank account in a country other than the investor's residency.

Sale Fees and Charges

Payments for Shares sold may be subject to a CDSC if the Shares are sold within a defined number of months from the issue of the Shares. Full details of CDSC are provided in the section "Share Classes" and Appendix E of this Prospectus.

Sale in Specie

With the prior consent of the Investor(s) concerned, and having due regard to the principle of equal treatment of Shareholders, the Board of Directors and/or the Management Company may satisfy the payment of sale proceeds in whole or in part in specie by allocating to the selling Investor(s) portfolio securities of the relevant Fund equal in value to the Net Asset Value of the Shares being sold.

How To Switch Shares

A switch is a transaction to convert an Investor's Holding in a Share Class into another Share Class within the same Fund or the same Share Class or another Share Class in different Funds. The transaction is executed by selling Shares in the original Share Class followed by purchasing Shares in the new Share Class provided that the Investor's Holding meets the minimum investment requirements for both the existing and the new Fund or Share Class.

Investors may, under certain circumstances, switch Shares of the Company into shares or units of certain other investment funds of Franklin Templeton Investments having a similar sales charge structure including same percentage of CDSC over the same period of time. Information on the investment funds into which Shares may be switched, and details of the procedure, terms and conditions for switch may be obtained from the Management Company upon request.

Class A Shares

Without prejudice to specific Share Class restrictions provided for in this section, Class A Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class.

Class A Shares subject to a CDSC can only be switched with Class A Shares subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch.

Class I Shares

Without prejudice to specific Share Class restrictions provided for in this section, Class I Shares can be switched with Shares in any other Fund or Share Class. Only Institutional Investors can switch their Shares into Class I Shares.

Class W Shares

Without prejudice to specific Share Class restrictions provided for in this section, Class W Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class. Switching into Class W Shares is only permitted to Investors investing through intermediaries, distributors, platforms and/or Brokers/Dealers which fulfil the Class W Shares eligibility requirements as per the conditions laid down in section "Share Classes".

Class X Shares

Without prejudice to specific Share Class restrictions provided for in this section, Class X Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class X Shares, subject to the conditions laid down in section "Share Classes".

Class Y Shares

Without prejudice to specific Share Class restrictions provided for in this section, Class Y Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class Y Shares, subject to the conditions laid down in section "Share Classes".

Instructions to Switch

An instruction to switch Shares should be submitted to the Management Company in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors, except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction is not submitted in writing, the Management Company may request a written and duly signed confirmation of such instruction in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

No application form is required for Switching Shares. However, private individual Investors instructing Franklin Templeton Investments directly without using Brokers/Dealers will need to complete and sign a standard switch form (available from our website or upon request).

The instruction must contain details of the personal Investor Portfolio Number and the number/value of Shares to be switched between named Funds and Share Classes including the ISIN codes (available on the Franklin Templeton Investments Internet site http://www.franklintempleton.lu). If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted. Investors may switch Shares on any Dealing Day.

The minimum initial investment in the new Fund is USD 2,500 (or currency equivalent). Any instruction which would result in a Holding balance being less than USD 2,500 (or currency equivalent) may not be executed.

Any instruction to switch Shares may not be executed until any previous transaction involving the Shares to be switched has been completed and settled. Where the sale is settled prior to the purchase, the sale proceeds will remain in the Company's collection bank account pending settlement of the purchase. No interest will accrue to the benefit of the Investor.

Any instruction to switch Shares between Funds denominated in differing currencies will be executed on the same Valuation Day. However, in exceptional circumstances, the Company or the Management Company may, at their own discretion, require one (1) additional Business Day in order to process the switch transactions. The Company reserves the right not to be bound to switch on any Valuation Day more than 5% of the value of the Shares of any Fund. In these circumstances the switch may be deferred for a period not exceeding ten (10) Business Days. These instructions to switch will be executed in priority to later instructions.

In certain limited circumstances as well as for distributions in certain countries and/or through certain sub-distributors and/or professional investors, the Company or the Management Company may require one (1) additional Business Day in order to process switch transactions. The additional day may be required for operational reasons in cases where currency conversion is required.

An Investor may not withdraw an instruction to switch Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix D) and, in such event, a withdrawal of the instruction to switch will be effective only if written notification is received by the Management Company before termination of the period of suspension. If the instruction is not so withdrawn, the switch of the Shares will be made on the next Valuation Day following the end of the suspension.

Switch Price

A complete switch instruction received and accepted by the Management Company or by a duly authorised Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day.

A complete switch instruction received and accepted by the Management Company or by a duly authorised Distributor on a Dealing Day after the applicable Dealing Cut-Off Time, will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day.

The number of Shares issued will be based upon the respective Net Asset Value of the Shares of the two relevant Funds or Share Classes on the relevant Valuation Day(s).

Switch Fees and Charges

A switch charge of up to 1.00% of the value of the Shares to be switched may be applied for distribution in certain countries and/or through certain Distributors and/or professional investors. Such charge shall be automatically deducted when the number of Shares is calculated and paid by the Company.

In certain circumstances a switch from any one Fund or Share Class will necessitate a fee equivalent to the difference between the two levels of entry charges unless the Investor, as a result of prior switches, has already paid the entry charge rate differential.

It is currently anticipated that any switch charge or entry charge rate differential will be paid to the Principal Distributor, who may, in turn, pay a portion of each differential to Distributors, intermediaries, Broker/Dealers and/or professional investor. However, the entry charge rate differential may be waived at the discretion of the Company and/or the Management Company.

How To Transfer Shares

A transfer is a transaction for the purpose of transferring an Investor Holdings to another Investor.

The transfer of Shares shall be effected by delivery to the Management Company of an instruction of transfer or a duly signed Share transfer form together with, if issued, the relevant Share certificate to be cancelled. The instruction must be dated and signed by the transferor(s), and if requested by the Company and/or the Management Company also signed by the transferee(s), or by persons holding suitable powers of attorney to act therefore.

Acceptance of the transfer by the Management Company will be subject to the transferee(s) having an accepted application by the Company, and meeting all Fund and Share Class eligibility requirements.

Any request to transfer Shares will only be executed once any previous transaction involving the Shares to be transferred has been completed and full settlement on those Shares received.

If the transfer instruction would result in a Holding balance being less than USD 2,500 (or currency equivalent) the Company and/or the Management Company may redeem such Holding balance and pay the proceeds to the Investor.

Transfer of Shares will be effected in accordance with the rules applicable to the relevant stock exchange in Luxembourg where the shares are listed.

The Shares of the Company are freely transferable. The Articles provide that the Board of Directors is entitled to impose restrictions as they may think necessary for the purposes of ensuring that no Shares are acquired or held by (a) any person in violation of or subject to the applicable laws or regulations of any country or government authority or (b) any person in circumstances which, in the opinion of the Board of Directors, might result in the Company incurring any liability of taxation or suffering any other disadvantage which the Company might not otherwise have incurred.

The Shares transferred may be subject to specific conditions, including CDSC. Investors should ensure that they are aware of all specific conditions applicable to such Shares.

Dividend Policy

In respect of all Funds which issue Distribution Shares, it is the intention of the Board of Directors to distribute substantially all of the income attributable to the Distribution Shares. Subject to any legal or regulatory requirements, dividends may also be paid out of the capital of such Funds. Subject to any legal or regulatory requirements, the Board of Directors reserves the right to introduce new Share Classes, which may retain and re-invest their net income.

Annual dividends may be declared separately in respect of each Fund at the Annual General Meeting of Shareholders.

Interim Share dividends may be paid upon a decision of the Board of Directors and of the Management Company in relation to any of the Funds.

It is anticipated that distributions will be made under normal circumstances as set out in the table below:

Share type	Share name	Payments
Accumulation Shares	A (acc) I (acc) W (acc) X (acc) Y (acc)	No distribution of dividends shall be made but the net income attributable will be reflected in the increased value of the Shares
Distribution Shares	A (Mdis) I (Mdis) W (Mdis) X (Mdis) Y (Mdis)	Under normal circumstances it is anticipated that distribution will be made monthly (following the end of each month)
	A (Qdis) I (Qdis) W (Qdis) X (Qdis) Y (Qdis)	Under normal circumstances it is anticipated that distribution will be made quarterly (following the end of each fund financial quarter)
	A (Ydis) I (Ydis) W (Ydis) X (Ydis) Y (Ydis)	Under normal circumstances it is anticipated that distribution will be made yearly (normally in November each year)

In order to receive dividends on Distribution Shares, Investors must be registered as holders of such Distribution Shares on the register of Shareholders on the Valuation Day determined by the Company as being the distribution accounting date.

Dividends of registered Distribution Shares will normally be reinvested in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate, unless otherwise stated in the application form. Such further Distribution Shares will be issued on the ex-dividend date. The price will be calculated in the same way as for other issues of Shares of that Fund on the Valuation Day on which the price of the Distribution Shares of that Fund goes ex-dividend. Fractional Shares will be rounded to three decimal places. No entry charge will be payable. Investors not wishing to use this reinvestment facility should complete the appropriate section of the application form. In the event that cash dividends are payable they will be paid

to holders of registered Distribution Shares who have elected to receive dividends in cash, payment normally being made by transfer of funds. However, the Board of Directors may decide that any dividend below USD 50 (or currency equivalent) will be reinvested in further Shares of the same Share Class instead of being paid directly to the Investors. Dividends to be paid in any other freely exchangeable currency will be converted at the Investor's expense.

When dividends of USD 250 (or currency equivalent) or less cannot be paid to a registered Investor due to missing data or payment unable to be effected, the Company or the Management Company reserves the right to automatically re-invest such dividends and any subsequent dividends to be paid in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate until receipt of instructions in good order from the Investor.

If a dividend has been declared but not paid within a period of five (5) years, the Company will, as it is entitled to do under the laws of the Grand Duchy of Luxembourg, declare the dividend forfeited and such unpaid dividend will accrue for the benefit of the relevant Fund.

In respect of each dividend declared, the Board of Directors and the Management Company may determine if, and to what extent, such dividend is to be paid out of realised and unrealised capital gains and in the case of Funds which distribute income gross of expenses from initially subscribed capital, regardless of capital losses, increased or decreased, as the case may be, by the portion of investment income and capital gains attributable to Shares issued and to Shares redeemed.

It should be remembered that dividend distributions are not guaranteed, that the Funds do not pay interest and that the price of Shares in the Funds and any income earned on the Shares may go down as well as up. It should also be remembered that any dividend distribution lowers the value of the Shares in the Funds by the amount of the distribution. Future earnings and investment performance can be affected by many factors, including changes in exchange rates, not necessarily within the control of the Company, its Board of Directors, officers, the Management Company or any other person. No guarantees as to future performance of, or future return from, the Company can be given by the Company itself, or by any Director or officer of the Company, by the Management Company by Franklin Templeton Investments, or any of its worldwide affiliates, or by any of their directors, officers or employees.

Equalisation of Income

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issues and the costs of sale of Shares, equivalent on a per Share basis to the amount of undistributed investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed investment income per Share is unaffected by issues or redemptions of Shares. However, in respect of any Fund offering only Accumulation Shares, the Board of Directors reserves the right not to apply equalisation.

Management Company Remuneration

Franklin Templeton International Services S.à r.l., for performing as Management Company registrar and transfer, corporate, domiciliary and administrative functions for the Company, will receive as remuneration from the Company an annual fee of up to 0.25% of the Net Asset Value of the relevant Share Class and a fixed amount per year to cover part of its organisational expenses. Such remuneration will be calculated and accrued daily and will be paid monthly in arrears.

Investment Management Fees

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum of each Fund's adjusted daily net assets during the year. Details of investment management fees are provided in Appendix E. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.

The Management Company and/or the Investment Managers may, from time to time, pay a part of the investment management fee to various sub-advisers, sub-distributors, intermediaries, brokers, professional investors and/or similar entities, which may or may not be part of Franklin Templeton Investments. Such payments are intended to compensate such sub-distributors, brokers or other intermediaries for providing distribution or other services to the Investors, including but not limited to the enhancement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services. Any request for additional information regarding any such payments should be addressed by the Investors to their relevant intermediaries.

Consistent with obtaining best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to Broker/Dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such Broker/Dealers. The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the

views and information of individuals and research staffs of other firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Managers.

The Investment Managers may enter, with Broker/Dealers that are entities and not individuals, into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Managers, including the Company and the Management Company, and where the Investment Managers are satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interest of the Company. Any such arrangement must be made by the Investment Managers on terms commensurate with best market practice. The use of soft commissions shall be disclosed in the periodic reports.

In certain Company related documents and/or electronic media, the relevant aforementioned investment management fee plus maintenance charges where applicable to a Share Class may be combined and expressed as an "annual management charge" for ease of administration/comparison.

Other Company Charges and Expenses

The Principal Distributor may be entitled to receive any applicable entry charge, of up to 6.50% of the total amount invested, as further described in the section "Share Classes". The entry charge shall in no case exceed the maximum permitted by the laws, regulations and practice of any country where the Shares are sold.

The Principal Distributor may enter into contractual arrangements with various sub-distributors, intermediaries, Broker/Dealers and/or professional investors for the distribution of Shares outside the United States of America. Payments of fees or commissions to various sub-distributors, Broker/Dealers or other intermediaries may be made out of the maintenance charges or other related similar fees normally paid to the Principal Distributor, when such payments are expected to enhance the quality of the distribution or other services provided to the Investors, including but not limited to the improvement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services.

As remuneration for the services rendered to the Company as Depositary, The Bank Of New York Mellon SA/NV, Luxembourg Branch will receive an annual fee depending on the nature of the investments of the different Funds in a range from 0.02% to 0.25% of the Net Asset Value of the assets of the different Funds, with possible higher depositary annual fees for (i) those Funds of the Company the investment objectives and policies of which provide for investments in equity securities of issuers in developing countries and (ii) newly created Funds whose assets have not reached the expected level of assets for the application of the above range yet, as reflected in more detail in the Funds' relevant total expense ratio (TER) and in the Company financial reports and made available at the registered office of the Management Company. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary by the Company.

The Company bears its other operational costs including, but not limited to, the costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, insurance premiums, interest charges, reporting and publication expenses, postage, telephone and facsimile expenses. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund. The Company may, from time to time, pay certain fees to the Management Company for onward allocation to various sub-distributors, intermediaries, Broker/Dealers and/or professional investors relating to placing certain Funds on sales platforms designed to bring about a wider distribution of Fund Shares. Such costs would only be allocated among the Funds placed on such platforms.

All charges and expenses pursuant to the above are exclusive of value added taxes or other taxes chargeable thereon, which should be paid by the Fund as required.

Such Other Company Charges and Expenses do not include normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Company as well as any reasonable out-of-pocket expenses incurred in connection with the Company, and chargeable to the Company and fees for other services as agreed from time to time. The amounts effectively paid will be shown in the Company's financial statements.

Maintenance Charge

A maintenance charge of up to a certain percentage per annum of the applicable average Net Asset Value is deducted and paid to the Principal Distributor, in order to compensate the Principal Distributor for any expenses incurred by it in connection with Investors liaison and administration of the Shares and the handling of CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries, Broker/Dealers. It may also, in its sole discretion, pay all or part of this maintenance charge to Institutional Investors which satisfy certain conditions, including minimum investment amounts.

Full details of maintenance charges are provided in Appendix E.

Taxation of the Company

The following information is based on the laws, regulations, decisions and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of Shares and is not intended as tax advice to any particular Investor or potential Investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than the Grand Duchy of Luxembourg. Investors should inform themselves of and, when appropriate, consult their professional advisors on the possible tax consequences of purchasing, buying, holding or disposing of Shares under the laws of their country of citizenship, residence, domicile or incorporation.

The Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income and is not subject to the Grand Duchy of Luxembourg's net wealth tax.

The Company, however, is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax.

Class I, Class X and Class Y Shares may also qualify for the reduced tax rate of 0.01% if all the Investors of these Share Classes are respectively Institutional Investors.

No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of the Shares in the Company. A EUR 75 registration duty is to be paid upon incorporation and each time the Articles are amended.

Under current laws and practice, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws.

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin at varying rates. The Company may benefit in certain circumstances from double taxation treaties which the Grand Duchy of Luxembourg has concluded with other countries.

Withholding Tax

Distributions made by the Company are not subject to withholding tax in the Grand Duchy of Luxembourg.

Taxation of Investors

Investors should note that certain Share Classes may make distributions from capital, net realised and net unrealised capital gains as well as income gross of expenses. This may result in Investors receiving a higher dividend than they would have otherwise received and therefore Investors may suffer a higher income tax liability as a result. In addition, in some circumstances, this may mean that the Fund pays dividends from capital property as opposed to income property. Such dividends may still be considered income distributions for tax purposes in the hands of Investors, depending on the local tax legislation in place. Investors should seek their own professional tax advice in this regard.

Investors are currently not subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in the Grand Duchy of Luxembourg (except for Investors domiciled, resident or having a permanent establishment in the Grand Duchy of Luxembourg).

Automatic Exchange of Financial Account Information

On 29 October 2014, the Grand Duchy of Luxembourg signed the Multilateral Competent Authority Agreement (the "MCAA") on the implementation of the Global Standard for the automatic exchange of financial account information. By signing the MCAA, Luxembourg agreed to implement regulations to enable the adoption of automatic exchange of information with other MCAA signatory countries.

On 9 December 2014, the European Council adopted Directive 2014/107/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2014/107/EU provides for the automatic exchange of account information between Member States of the European Union ("EU Member States"), reporting commenced in 2017 in relation to accounts held in the 2016 calendar year. Directive 2014/107/EU has been implemented in the Grand Duchy of Luxembourg by the law of 18 December 2015 relating to the automatic exchange of financial account information in tax matters (the "2015 Law"), which was effective from 1 January 2016.

Investors are hereby notified that the Company may be required by Luxembourg law to report details of specified accounts of account holders resident in EU Member States or MCAA signatory jurisdictions. The Luxembourg Tax Authorities may share such account data in accordance with Directive 2014/107/EU and the MCAA with the Tax Authorities of other EU Member States and MCAA signatory jurisdictions, where the account holder is tax resident. The information which may be reported includes, in the case of an individual, the reportable person's name, address, tax identification number, date and place of birth, balance of the account and the total gross amount paid or credited to the account in respect of the relevant reporting period.

The foregoing is only a summary of the implications of Directive 2014/107/EU, the MCAA and the 2015 law. The summary is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of Directive 2014/107/EU, the MCAA and the 2015 law.

FATCA

The Foreign Account Tax Compliance Act ("FATCA"), which is an amendment to the U.S. Internal Revenue Code, was enacted in the United States in 2010 and many of the operative provisions became effective on 1 July 2014. Generally, FATCA requires financial institutions outside the U.S. ("foreign financial institutions" or "FFIs") to provide the U.S. Internal Revenue Service ("IRS") with information about financial accounts held directly or indirectly by certain specified U.S. persons. A 30% withholding tax is imposed on certain types of U.S. source income paid to an FFI that fails to comply with FATCA. On 28 March 2014, the Grand Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America and a memorandum of understanding in respect thereof. The Company hence has to comply with such Luxembourg IGA, as implemented into Luxembourg law by the law of 24 July 2015 relating to FATCA (the "FATCA Law") in order to comply with the provisions of FATCA rather than directly complying with the U.S. Treasury Regulations implementing FATCA. Under the FATCA Law and the Luxembourg IGA, the Company will be required to collect information aiming to identify its direct and indirect Shareholders that are U.S. Persons for FATCA purposes ("reportable accounts"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America pursuant to article 28 of the convention between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996. The Company intends to comply with the provisions of the FATCA Law and the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the FATCA Law place upon it.

To ensure the Company's compliance with FATCA, the FATCA Law and the Luxembourg IGA in accordance with the foregoing, Franklin Templeton International Services S.à r.l., in its capacity as the Company's Management Company, may:

a. request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Shareholder's FATCA status;

b. report information concerning a Shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a U.S. reportable account under the FATCA Law and the Luxembourg IGA; and

c. report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution.

Meetings and Reports

The Annual General Meeting is held at the registered office of the Company on the last Thursday of March in each year at 2:30 p.m. or, if such day is not a Business Day, on the immediately following Business Day. For all general meetings of Shareholders notices will be sent to the registered Shareholders by post at least 8 days prior to the meeting at their address in the register of Shareholders. Such notices may also be made available on the Internet site as the Board of Directors shall from time to time determine. Notices will be published in the *Recueil Electronique des Sociétés et Associations* (hereafter "RESA") and in a Luxembourg newspaper (if legally required) and in such other newspapers as the Directors may decide. Such notices will include the agenda and specify the time and place of the meeting, the conditions of admission and will refer to the requirements of the laws of the Grand Duchy of Luxembourg with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in articles 67 and 67-1 of the law of 10 August 1915 (as amended) relating to commercial companies and in the Articles of the Company.

The audited annual reports and unaudited semi-annual reports will be available on the following Franklin Templeton Investments Internet site, http://www.franklintempleton.lu, or may be obtained upon request at the registered office of the Company and the Management Company; they are only distributed to registered Shareholders in those countries where local regulation so requires. The complete audited annual reports and unaudited semi-annual reports are available at the registered office of the Company and the Management Company. The accounting year of the Company ends on 31 October of each year.

Investor Voting Rights

At any general meetings of the Shareholders of the Company, each Shareholder will be entitled to one vote for each whole Share held, whatever Share Class and regardless of the Net Asset Value per Share within the Share Class(es).

A Shareholder of any particular Fund or Share Class will be entitled at any separate meeting of the Shareholders of that Fund or Share Class to one vote for each whole Share of that Fund or Share Class held, whatever Class and regardless of the Net Asset Value per Share within the Share Class(es).

In the case of joint Shareholders, only the first named Shareholder may vote, whom the Company may consider to be the representative of all joint Shareholders, except where a Shareholder has been expressly nominated by all joint Shareholders or where a written authority has been given.

Fair Treatment of Investors

The Management Company 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 Management Company maintains and operates organizational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest.

Information and Documents Made Available to Shareholders

Copies of the Articles, the current Prospectus, KID and the latest annual and semi-annual reports may be obtained by Shareholders free of charge during normal office hours at the registered office of the Company and of the Management Company. The Articles shall be deemed to form part of this Prospectus. KIDs are also available on www.ftidocument.com.

Pursuant to the AIFMD, the following information will be made available to Shareholders in the annual report:

(a) the percentage of each Fund's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management fees will apply to these assets;

(b) the current risk profile of each Fund, including:

  (i) the measures used to assess the sensitivity of a Fund's portfolio to the most relevant risks to which that Fund is or could be exposed;

  (ii) if risk limits set by the Management Company have been or are likely to be exceeded and, where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken; and

(c) the total amount of Leverage employed by each Fund calculated in accordance with the Gross and Commitment Methods;

(d) any material changes to the information above.

Further information regarding the risk management process and liquidity management systems and procedures, including the measures used to assess the sensitivity of a Fund's portfolio to the most relevant risks to which that Fund is or could be exposed, can be found upon request at the registered office of the Management Company.

Shareholders will be informed of any change to the information above without undue delay by way of update to this Prospectus. Where required, such change will be preceded by notification to Shareholders.

It is intended that Shareholders will be notified immediately of any material changes to the liquidity management process and procedures, of the suspension of redemptions or activation of similar special liquidity arrangements, as well as any change to the maximum level of Leverage which a Fund may employ.

Side letters may be negotiated with specific Investors when (i) the investment size reaches a certain threshold, whereupon particular financial terms deviating from those currently disclosed in the Prospectus may be agreed; and/or (ii) the Investor is required to perform portfolio analytics, including, but not limited to, risk analysis/asset allocation purposes or is required to disclose non-public information in advance in order to comply with either a regulatory or audit request. The nature and scope of the side letters may vary between Investors but essentially these arrangements mainly consist of (i) particular fee treatments in relation to specific significant investments; or (ii) early disclosure of non-public portfolio information through non-disclosure agreements. As of the date of this Prospectus, side letter arrangements have been entered into with certain Investors in relation to the Fund. Information about any preferential treatment granted to certain investors is available at the registered office of the Company to the extent and as required by the AIFMD.

All information to be provided to investors under Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse ("Regulation 2015/2365") including a general description of the securities financing transactions and total return swaps used by the Funds (if any) or that the Funds may use and the rationale for their use as well as any other data provided for in Section B of the Annex to Regulation 2015/2365 will be made available at the registered office of the Company and will be sent to investors upon request.

Publication of Prices and Past Performance Information

The latest NAV as well as past performance information for the Company will be available from our website: http://www.franklintempleton.lu or during normal office hours at the registered office of the Company or the Management Company.

Queries and Complaints

Any person who would like to receive further information regarding the Company or who wishes to make a complaint about the operation of the Company should contact Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

Appendix A
Standard Dealing Cut-Off Times

Unless otherwise disclosed in a local supplement to the Prospectus, any agreement or marketing material, requests for purchase, sale or switch of Shares (the "Transactions") received by one of the Franklin Templeton Investments offices listed below on a Dealing Day before the appropriate Dealing Cut-Off Time will be dealt on that day on the basis of the Net Asset Value per Share of the relevant Class calculated on that day.

Luxembourg office

Main Countries covered	Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class	Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class	Dealing Cut-Off Time for transactions in Hedged Share Classes
Any country where the Company is registered for distribution, unless mentioned below under another local Franklin Templeton Investments office.	18:00 CET	18:00 CET	18:00 CET

Frankfurt office

Main Countries covered	Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class	Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class	Dealing Cut-Off Time for transactions in relating to the Hedged Classes
Austria, Germany	16:00 CET	16:00 CET	16:00 CET

Electronic Dealing
(Swift and Direct Electronic link with Franklin Templeton Investments)

Main Countries covered	Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class	Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class	Dealing Cut-Off Time for transactions in Hedged Classes
Any Country where the Shares of the Company can be distributed	22:00 CET	18:00 CET	18:00 CET

Investors domiciled in countries not listed above but where transactions in Shares of the Company are allowed under all applicable laws and regulations should contact the Client Dealer Service's representative of the nearest Franklin Templeton Investments office. This information is available on the internet site *http://www.franklintempleton.lu*

Definitions:
CET: Central Europe time

Appendix B
Investment Restrictions

The Board of Directors have adopted the following restrictions relating to the investment of the Company's assets and its activities unless otherwise specified for a Fund in its investment policy. These restrictions and policies may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Company in which case this Prospectus will be updated.

The term "securities" used in these investment restrictions includes "Obligations" as defined under section "Fund Information, Objectives and Investment Policies" and the term "issuer" used in these investment restrictions includes "borrower" as the context permits.

A. The Board of Directors has resolved that:

1) A Fund may not invest in securities of any single issuer, if the value of the holdings of the Fund in the securities of such issuer exceeds 10% of the Fund's total net assets, except that such restriction shall not apply to securities and money market instruments issued or guaranteed by Member States of OECD, or by their local authorities or public international bodies with EU, regional or world-wide scope, or by any instrumentalities or agencies sponsored by the Federal Government of the United States. Should a Fund invest in structured products, this restriction shall apply to both the issuer of the relevant structured product and to the relevant structured product final debtor risk (i.e. the issuer of the "underlying"). The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution having its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in Community law or 5% of its net assets in other cases.

2) A Fund may not acquire more than 10% of the outstanding securities of the same kind of a single issuer provided that the limit shall be applicable at the time of acquisition of the securities concerned and any subsequent increase of the percentage in excess of such 10% limit and up to a 25% limit arising otherwise than as a result of the acquisition by the Fund of further securities of such issuer, shall not need to be remedied. If, in the event that such 25% limit is exceeded, the Investment Manager must adopt as a priority objective the remedying of such situation if deemed prudent by the Investment Manager in view of prevailing market conditions and liquidity, taking due account of the interests of each Fund's Shareholders. Such restriction shall not apply to securities and money market instruments issued or guaranteed by a Member State of the OECD, or by their local authorities or public international bodies with EU, regional or worldwide scope, or by any instrumentalities or agencies sponsored by the Federal Government of the United States.

3) A Fund may not make investments for the purpose of exercising control or management.

4) Unless otherwise provided for in the investment policy of a specific Fund, a Fund may not invest more than 10% of its total net assets in other open-ended Investment Funds. If a Fund is allowed to invest more than 10% of its total net assets in other open-ended Investment Funds, the relevant Fund shall not invest more than 20% of its total net assets in units or shares of a single Investment Fund.

   For the purpose of this paragraph, each compartment of an Investment Fund with multiple compartments is to be considered as a distinct Investment Fund, provided that the principle of segregation of the commitments of the different compartments *vis-à-vis* third parties is ensured.

5) Unless otherwise provided for in the investment policy of a specific Fund, the Company may not borrow, on behalf of a Fund, other than borrowings which in the aggregate do not exceed 10% of the total net assets of such Fund which borrowings may, however, only be made on a temporary basis and in line with usual market conditions.

6) The Company may not, on behalf of a Fund, mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness, any securities owned or held on behalf of such Fund, except as may be necessary in connection with borrowings mentioned in 5 above and provided that the purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements with respect to the writing of options or the purchase or sale of forward or future contracts are not deemed the pledge of the assets. Notwithstanding the above, this restriction shall not prevent any Fund to invest in Obligations.

7) The Company may not use the assets of any Fund to underwrite or subunderwrite any securities, except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under applicable securities laws.

8) Any Fund (the "Investing Fund") may subscribe, acquire and/or hold securities to be issued or issued by one or more Fund (each a "Target Fund") without the Company being, subject to the requirements of the law of August 10, 1915 (as amended) relating to commercial companies with respect to the subscription, acquisition and/or the holding by a company of its own shares; under the condition however that:

- the Investing Fund may not invest more than 10% (or 20% for Funds which are allowed to invest more than 10% in aggregate in Investment Funds) of its net asset value in a single Target Fund; and
- the Target Fund(s) do(es) not, in turn, invest in the Investing Fund invested in this (these) Target Fund (s); and
- the investment policy(ies) of the Target Fund(s) whose acquisition is contemplated does not allow such Target Fund(s) to invest more than 10% of its(their) net asset value in other Target Fund(s); and
- voting rights, if any, attaching to the shares of the Target Fund(s) held by the Investing Fund are suspended for as long as they are held by the Investing Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- the Target Fund(s) will neither levy a sales nor a redemption charge on the Investing Fund; and
- in any event, for as long as these securities are held by the Investing Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 17 December 2010.

The Board of Directors has further resolved that the Company may, for the purpose of efficient portfolio management of its assets or for providing protection against exchange rate risks under the conditions and within the limits laid down by law, regulation and administrative practice and as described below, employ techniques and instruments relating to transferable securities.

B. If and to the extent permitted by its investment policy, a Fund may invest in financial derivative instruments for investment purposes within the limits laid down in clause A.1) and A.2).

The Company shall ensure that the Exposure of each Fund relating to financial derivative instruments does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets before the impact of any temporary borrowings but including the impact of repurchase/reverse repurchase agreements and securities lending, to the extent such activity, including the reinvestment of collateral, increases the Exposure of the Fund. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings as referred to in clause A.5), so that in aggregate, including the impact of financial derivative instruments and any temporary borrowing, Exposure may not exceed 210% of any Fund's total net assets under any circumstances.

The exposure is analysed taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

1. Options on Securities

The Company may deal in options on securities provided the following limitations are observed:

(A) Purchases and sales of options on securities shall be limited so that, upon exercise thereof, none of the other limit percentages would be infringed.

(B) Put options on securities may be sold provided adequate liquid assets are set aside by the Fund concerned until the expiry of the said put options to cover the aggregate exercise price of the securities to be acquired by the Fund pursuant thereto.

(C) Call options on securities will only be sold if such sale does not result in a short position; in such event the relevant Fund will maintain in its portfolio the underlying securities or other adequate instruments to cover the position until the expiry date of the relevant call options granted on behalf of such Fund, except that the Company may dispose of the said securities or instruments in declining markets under the following circumstances:

(i) the markets must be sufficiently liquid to enable the Company to cover the short position of that Fund at any time; and

(ii) the aggregate of the exercise prices payable under such uncovered options shall not exceed 25% of the Net Asset Value of such Fund.

(D) No option on securities will be purchased or sold unless it is quoted on an exchange or dealt in on a Regulated Market and provided, immediately after its acquisition, the aggregate of the acquisition prices (in terms of premiums paid) of such options and of all other options acquired for purposes other than hedging held by the relevant Fund does not exceed 15% of its Net Asset Value.

2. Stock Index Options

In order to hedge against the risk of fluctuations in the value of a securities portfolio, the Company may sell call options on stock indices or acquire put options on stock indices provided:

(A) The commitments deriving therefrom do not exceed the value of the relevant assets to be hedged; and

(B) The total amount of such transactions does not exceed the level necessary to cover the risk to the fluctuation of the value of the assets concerned.

For the purpose of efficient portfolio management, the Company may acquire call options on stock indices mainly in order to facilitate changes in the allocation of a Fund's assets between markets or in anticipation of a significant market sector advance, provided the value of the underlying securities included in the relevant stock index options is covered by cash, short-term debt securities and instruments owned by such Fund or securities to be disposed of by such Fund at predetermined prices;

provided however that:

(A) All such options must either be listed on an exchange or dealt in on a Regulated Market; and

(B) The aggregate acquisition cost (in terms of premium paid) chargeable to a Fund in respect of options on securities and of all options acquired for purposes other than hedging shall not exceed 15% of the Net Asset Value of such Fund.

3. Currency Hedging

The Company may for the purposes of hedging currency risks have outstanding commitments in respect of forward currency contracts, currency futures or currency swap agreements or currency options (sales of call options or purchases of put options) provided that:

(A) The total amount of such transactions does not exceed the level necessary to cover the risk of the fluctuation of the value of the assets of the Fund concerned denominated in a particular currency or any other currency which will be deemed to have a sufficient correlation with that particular currency. The hedging of currency risk may involve the use of cross-currency contracts to alter the currency exposure of the Fund in case it is more advantageous to the Fund; and

(B) The commitments deriving therefrom do not exceed the value of the relevant assets to be hedged and the duration of these transactions does not exceed the period for which the respective assets are held.

The Company may also use forward currency contracts to hedge back to investment currencies those investments which are made temporarily in other currencies, if for market reasons the Company has decided to discontinue temporarily investments denominated in such currency. Similarly, the Company may hedge through forward contracts or currency options the currency exposure of contemplated investments to be made in investment currencies, provided that these contracts are covered by assets denominated in the currency to be disposed of. For the purpose of these restrictions, investment currencies are those currencies which are comprised in the benchmark used by the Company for investments of the relevant Fund.

Currency futures and currency options must either be quoted on an exchange or dealt in on a Regulated Market. The Company may, however, enter into currency forward contracts, option arrangements or swap arrangements with highly rated financial institutions specialised in these types of transactions.

4. Interest Rate Transactions

In order to hedge against interest rate fluctuations, the Company may sell interest rate futures or write call options or purchase put options on interest rates or enter into interest rate swaps provided:

(A) The commitments deriving therefrom do not exceed the value of the relevant assets to be hedged; and

(B) The total amount of such transactions does not exceed the level necessary to cover the risk of the fluctuation of the value of the assets concerned.

Such contracts or options must be denominated in the currencies in which the assets of such Fund are denominated, or in currencies which are likely to fluctuate in a similar manner and must be either listed on an exchange or dealt in on a Regulated Market.

For the purpose of efficient portfolio management, the Company may also enter into interest rate futures purchase contracts or acquire call and put options on interest rate futures, mainly in order to facilitate changes in the allocation of the assets of a Portfolio between shorter or longer term markets, in anticipation of or in a significant market sector advance, or to give a longer term exposure to short term investments, provided always that sufficient cash, short dated debt securities or instruments or securities to be disposed of at a predetermined value exist to match the underlying exposure of both such futures positions and the value of the underlying securities included in call options on interest rate futures acquired for the same purpose and for the same Fund;

provided however that:

(A) All such futures and options on interest rate futures must be either listed on an exchange or dealt in on a Regulated Market, whereas interest rate swap transactions may be entered into privately by agreement with a highly rated financial institution specialised in this type of transaction; and

(B) The aggregate acquisition cost (in terms of premium paid) chargeable to a Fund in respect of options on securities and of all options acquired for purposes other than hedging, shall not exceed 15% of the Net Asset Value of such Fund.

5. Dealing in Financial and Index Futures

In order to hedge against the risk of fluctuations in the value of the portfolio securities of a Fund, the Company may have outstanding commitments in respect of financial and index futures sales contracts not exceeding the value of the corresponding assets to be hedged.

For the purpose of efficient portfolio management, the Company may also enter into financial and index futures purchase contracts, mainly in order to facilitate changes in the allocation of a Fund's assets between markets or in anticipation of a significant market sector advance provided that:

(A) Sufficient cash, short term debt securities or instruments owned by the Fund concerned or securities to be disposed of by such Fund at a predetermined value exist to match the underlying exposure of both such futures positions and the value of the underlying securities included in call stock index options acquired for the same purpose; and

(B) All such index futures must be listed on an exchange or dealt in on a Regulated Market.

6. Transactions made for a Purpose other than Hedging

The Company may, for a purpose other than hedging, purchase and sell futures contracts, options on any kind of financial instruments and equity swaps provided that:

(A) The aggregate commitments in connection with the purchase and sale of futures contracts, options on any kind of financial instruments and equity swaps together with the amount of the commitments relating to the writing of call and put options on transferable securities do not exceed at any time the value of the net assets of the relevant Fund; and

(B) The total premiums paid for the acquisition of outstanding call and put options on transferable securities may not together with the total of the premiums paid for the purchase of call and put options outstanding made for a purpose other than hedging exceed 15% of the net assets of the relevant Fund.

(C) The Company will only enter into equity swap transactions with highly rated financial institutions specialised in this type of transactions.

7. Transactions in OTC Options

By derogation to the restrictions set out in paragraphs B.1., B.2., B.3. and B.4. above, but always within the other limits set forth therein, the Company may purchase or sell over-the-counter ("OTC") options if such transactions are more advantageous to a Fund or if quoted options having the required features are not available, provided such transactions are made with highly rated counterparties specialising in these types of transactions.

8. Securities Lending Transactions

The Company may participate in securities lending transactions only within the framework of a standardised lending programme organised by a recognised securities clearing body or by a highly rated financial institution specialised in this type of transactions.

In relation to such lending transactions, the Company must in principle receive for the Fund concerned security of a value which at the time of the conclusion of the lending agreement must be at least equal to the value of the global value of the securities lent.

The Company may not enter into securities lending transactions unless such lending is fully and continuously secured by the pledge of cash and/or securities issued or guaranteed by an OECD member state or by local authorities of an OECD member state or by supranational institutions or organisations, with EU, regional or world-wide scope, or by a guarantee of a highly rated financial institution and blocked in favour of the Company until the termination of the lending contract.

Lending transactions may not be entered into in respect of more than 50% of the total value of the portfolio of each Fund. Such limitation shall not apply where the Company has the right at any time to terminate the lending contract and obtain restitution of the securities lent.

Lending transactions may not extend beyond a period of 30 days, except for lending transactions where the securities may be reclaimed at any time by the Company.

9. Repurchase Agreements

The Company may enter into repurchase agreements for the purchase or sale of securities where the counterparty is a highly rated financial institution specialised in such transactions. Where the Company is the purchaser, the securities purchased shall be held by or on behalf of the Company for the duration of the repurchase agreement. The Company will limit the total value of securities subject to repurchase agreements in order to ensure it can fulfil its redemption obligations at any time.

If the limits referred to in the preceding paragraphs are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Board of Directors must, as a priority, take all steps as necessary within a reasonable period of time to rectify that situation, taking due account of the interests of its Shareholders.

10. Loan Credit Default Swaps and Credit Default Swaps

The Company may use loan credit default swaps or credit default swaps. Both loan credit default swaps and credit default swap are bilateral financial contracts in which one counterpart (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller following a credit event of a reference issuer. The protection buyer must either sell particular obligations issued by the reference issuer at their par value (or some other designated reference or strike price) when a credit event occurs or receive a cash settlement based on the difference between the market price and such reference or strike price. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. The International Swaps and Derivatives Association ("ISDA") has produced standardised documentation for these transactions under the umbrella of its ISDA Master Agreement.

The Company may use loan credit default swaps (or credit default swaps) in order to hedge the specific credit risk of some of the issuers in its portfolios by buying protection.

In addition, the Company may, provided it is in the exclusive interests of its Shareholders, buy protection under loan credit default swaps (or credit default swaps) without holding the underlying assets provided that the aggregate premiums paid together with the present value of the aggregate premiums still payable in connection with credit default swaps previously purchased and the aggregate premiums paid relating to the purchase of options on transferable securities or on financial instruments for a purpose other than hedging, may not, at any time, exceed 25% of the net assets of the relevant Fund.

Provided it is in the exclusive interests of its Shareholders, the Company may also sell protection under loan credit default swaps (or credit default swaps) in order to acquire a specific credit exposure. In addition, the aggregate commitments in connection with such loan credit default swaps (or credit default swaps) sold together with the amount of the commitments relating to the purchase and sale of futures and option contracts on any kind of financial instruments and the commitments relating to the sale of call and put options on transferable securities may not, at any time, exceed the value of the net assets of the relevant Fund.

The Company will only enter into loan credit default swaps (or credit default swaps) transactions with highly rated financial institutions specialised in this type of transaction and only in accordance with the standard terms laid down by the ISDA. In addition, the use of loan credit default swaps (or credit default swaps) must comply with the investment objectives and policies and risk profile of the relevant Fund.

The total notional value of all loan credit default swaps (or credit default swaps) will not exceed 25% of the net assets of any Fund.

The total notional value of loan credit default swaps (or credit default swaps) together with the total notional value of other derivative instruments may not, at any time, exceed the value of the net assets of the relevant Fund.

The Company will ensure that, at any time, it has the necessary assets in order to pay redemption proceeds resulting from redemption requests and also meet its obligations resulting from credit default swaps and other techniques and instruments.

11. Re-use of collateral

Per general Franklin Templeton Investments policy, the Funds are not reusing collateral or any guarantee under the Funds' leveraging arrangements.

C. Miscellaneous:

1. The Company may not make loans to other persons or act as a guarantor on behalf of third parties.

2. The Company may not carry out uncovered sales of securities.

3. The Company need not comply with the investment limit percentages when exercising subscription rights attached to securities which form part of its assets.

4. The Management Company, the Investment Managers, the Principal Distributor, the Distributors, the Depositary and any authorised agents or their associates may have dealings in the assets of the Company provided that any such transactions are effected on normal commercial terms negotiated at arm's length and provided that each such transaction complies with any of the following:

   (i) a certified valuation of such transaction is provided by a person approved by the Board of Directors as independent and competent;

   (ii) the transaction has been executed on best terms, on and under the rules of an organised investment exchange; or

   where neither i) or ii) is practical

   (iii) where the Board of Directors are satisfied that the transaction has been executed on normal commercial terms negotiated at arm's length.

If the limits referred to in the paragraphs in this Appendix B are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Board of Directors must, as a priority, take all steps as necessary within a reasonable period of time to rectify that situation, taking due account of the interests of its Shareholders.

D. Additional investment restrictions:

From January 1, 2018 onwards, the following Funds (i) will only invest into UCITS investment funds, (ii) will, at any time, hold more than 3 assets with different investment risk and (iii) will not invest via a subsidiary:

1) Franklin Emerging Market Corporate Debt Fund

2) Franklin Emerging Market Debt Opportunities II Fund

3) Franklin Emerging Market Investment Grade Debt Fund

4) Franklin Upper Tier Floating Rate Fund

From January 1, 2018 onwards, for the following Funds, (i) their participation in a corporation will be less than 10% of the capital of such a corporation and (ii) they will not invest more than 20% of their net asset value in equity and equity-related securities of corporations which are not admitted for trade on a stock exchange nor admitted to any other regulated market:

1) Franklin Emerging Market Corporate Debt Fund

2) Franklin Emerging Market Debt Opportunities II Fund

3) Franklin Emerging Market Investment Grade Debt Fund

4) Franklin Upper Tier Floating Rate Fund

12. Leverage

Leverage, when used in this Prospectus, means any method by which the Management Company may increase the Exposure of a Fund over and above the Exposure triggered by its investments held directly, whether by borrowing cash or securities, or from Leverage embedded in derivative positions, or by other means. The following sources of Leverage can be used when managing a Fund:

(a) cash borrowing;

(b) financial derivative instruments; and

(c) reinvestment of cash collateral in the context of securities lending.

The Management Company is required to calculate and monitor the level of Leverage, generated using the means described above, where Leverage is expressed as a ratio between the Exposure of the Fund and its Net Asset Value (Exposure/NAV), calculated using both the Gross Method and the Commitment Method.

Under the Gross Method, the Exposure of a Fund is calculated as follows:

(a) include the sum of the absolute values of all positions held;

(b) exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Fund, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;

(c) convert each derivative instrument into an equivalent position in the underlying asset;

(d) exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

(e) include Exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed;

(f) include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the Commitment Method, the Exposure of a Fund is calculated as follows:

(a) include the sum of absolute values of all the positions held;

(b) convert each derivative instrument position into an equivalent position in the underlying asset;

(c) apply netting and hedging arrangements (further explanation provided below);

(d) calculate the Exposure created through the reinvestment of borrowings where such reinvestment increases the Exposure of the AIF or UCI;

(e) include other arrangements related to convertible bonds, repurchase / reverse repurchase agreements, and securities lending or borrowing arrangements.

Netting arrangements shall include combinations of trades on derivative instruments or security positions which refer to the same underlying asset, irrespective – in the case of derivative instruments – of the maturity date of the derivative instruments and where those trades on derivative instruments or security positions are concluded with the sole aim of eliminating the risks linked to positions taken through the other derivative instruments or security positions.

Hedging arrangements shall include combinations of trades on derivative instruments or security positions which do not necessarily refer to the same underlying asset and where those trades on derivative instruments or security positions are concluded with the sole aim of offsetting risks linked to positions taken through the other derivative instruments or security positions.

Further information on calculating Exposure and the resulting Leverage ratios that result from using the Commitment and Gross Methods can be found at the registered office of the Management Company.

The maximum level of Leverage, expressed as a ratio of market Exposure related to underlying investments as well as any incremental Exposure which a Fund may employ, calculated in accordance with the Gross and Commitment Methods, is stated for each Fund in "Fund Information, Objectives and Investment Policies" of this Prospectus. In addition, the Leverage ratio calculated using both the Gross and Commitment Methods will be disclosed in the Company's annual report.

As calculations obtained by using the Gross Method do not take into account whether a particular financial derivative instrument increases or decreases investment risk (since hedging and netting arrangements are not included), they may not be representative of the actual level of investment risk within a Fund.

Appendix C
Additional Information

1. The Company is an investment company with limited liability organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and is qualified as a *société d'investissement à capital variable.* The Company was incorporated in Luxembourg on 14 May 2007, for an undetermined period. The Articles were published in *the Mémorial* on 4 June 2007. The Company is registered with the *Registre de Commerce et des Sociétés de et à Luxembourg*, under number B 127.818. Copies of the Articles are available for inspection at the *Registre de Commerce et des Sociétés de et à Luxembourg* and the registered office of the Company and the Management Company.
2. The minimum capital of the Company is 1,250,000 euro or the equivalent in US Dollars.
3. The Company may be dissolved upon decision of an extraordinary general meeting of its Shareholders. If the capital of the Company falls below two-thirds of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed and which shall be decided by a simple majority of the holders of Shares represented at the meeting. If the capital of the Company falls below one fourth of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed; dissolution may be resolved by Shareholders holding one-fourth of the Shares at the meeting. If the Company should be liquidated, its liquidation will be carried out in accordance with the provisions of the laws of the Grand Duchy of Luxembourg which specify the steps to be taken to enable Shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the Caisse de Consignation of any such amounts which have not been promptly claimed by any Shareholders. Amounts not claimed from escrow within the prescribed period would be liable to be forfeited in accordance with the provisions of the laws of the Grand Duchy of Luxembourg. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation*" and as a consequence, the initial amount might not be refunded.
4. The Board of Directors may decide to liquidate a Fund if the net assets of such Fund fall below USD 50 million or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation, or if required by the interests of the Shareholders of the Fund concerned. The decision of the liquidation will be published or notified, if appropriate, to the Shareholders by the Company prior to the effective date of the liquidation and the publication/notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Fund concerned may continue to instruct the sale or switch of their Shares. Assets which could not be distributed to their beneficiaries upon the close of the liquidation period of the Fund will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation"* and as a consequence, the initial amount might not be refunded. If not claimed, they shall be forfeited in accordance with Luxembourg law.

Under the same circumstances as described in the preceding paragraph, the Board of Directors may decide to close one Fund by contribution into another Fund or into another undertaking for collective investment governed by the laws of the Grand Duchy of Luxembourg. Such decision will be published or notified, if appropriate, in the same manner as described in the preceding paragraph and, in addition, the publication/notification will contain information in relation to the other Fund or other undertaking for collective investment. Such publication/notification will be made within one month before the date on which the merger becomes effective in order to enable Shareholders to request sale or switch of their Shares, free of charge, before the operation involving contributions into another Fund or other undertaking for collective investment becomes effective.

If the circumstances so require, the provisions described above apply *mutatis mutandis* to closure of a Share Class and to contributions of Share Class existing within a Fund into another Fund or into another undertaking for collective investment governed by the Law of 17 December 2010.

In the event that the Board of Directors determines that it is required by the interests of the Shareholders of the relevant Fund or that a change in the economic or political situation relating to the Fund concerned has occurred which would justify it, the reorganization of one Fund by means of a division into two or more Funds, may be decided by the Board of Directors. Such decision will be published or notified, if appropriate, in the same manner as described above and, in addition, the publication/notification will contain information in relation to the two or more new Funds. Such publication/notification will be made effective one month before the date on which the reorganization becomes effective in order to enable the shareholders to request redemption of their shares, free of charge before the operation involving division into two or more Funds becomes effective.

Where the Board of Directors does not have the authority to do so or where the Board of Directors determines that the decision should be put for shareholders' approval, the decision to liquidate, to merge or to reorganise a Fund may be taken at a meeting of shareholders of the Fund to be liquidated, merged or reorganised instead of being taken by the Board of Directors. At such Fund meeting, no quorum shall be required and the decision to liquidate, merge or reorganise must be approved by a simple majority of the votes cast. The decision of the meeting will be notified and/or published by the Company. The decision relating to the merger or the reorganisation of the Fund will be published/notified no later than one month before the effective date of liquidation, merger or reorganization of the Fund in order to enable shareholders to request redemption or switching of their shares, free of charge, before the merger or reorganization of the Fund becomes effective.

The preceding paragraph also applies to a division of Shares of any Share Class.

In the circumstances provided in the first paragraph of point 4, the Board of Directors may also, subject to regulatory approval (if required), to consolidate or split any Share Classes within a Fund. To the extent required by Luxembourg law, such decision will be published or notified, if appropriate, in the same manner as described above and the publication and/or notification will contain information in relation to the proposed split or consolidation. The Board of Directors may also decide to submit the question of the consolidation or split of Share Class to a meeting of holders of such Share Class. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

Appendix D
Determination of the Net Asset Value of Shares

CALCULATION OF THE NET ASSET VALUE

The Net Asset Value per Share ("NAV") of each Share Class of each Fund shall be expressed in the currency of the relevant Fund or of the relevant Class as a per Share figure, and shall be determined in respect of any Valuation Day by dividing the net assets of the Company corresponding to each Share Class of each Fund, being the value of the assets of the Company corresponding to such Fund less liabilities attributable to such Fund, by the number of Shares then outstanding and shall be rounded up or down to two decimal places as the Board of Directors may decide.

VALUATION

The assets of the Company shall be deemed to include:

(a) all cash on hand or on deposit, including any interest accrued thereon;

(b) all bills and demand notes and accounts receivable (including proceeds of securities sold but not delivered);

(c) all bonds, time notes, shares, stock, debenture stocks, subscription rights, warrants, options, other derivative instruments, units or shares of undertakings for collective investment and other investments and securities owned or contracted for by the Company;

(d) all stock dividends, cash dividends and cash distributions receivable by the Company and to the extent known by the Company (provided that the Company may make adjustments with regard to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);

(e) all interest accrued on any interest-bearing securities owned by the Company, except to the extent that the same is included or reflected in the principal amount of such security;

(f) the formation expenses of the Company in so far as the same have not been written off; and

(g) all other assets of every kind and nature, including prepaid expenses.

Total liabilities include:

(a) all loans, bills and accounts payable;

(b) all accrued or payable administrative expenses (including fees payable to the Investment Manager(s), Depositary and corporate agents);

(c) all known liabilities, present and future, including all matured contractual obligations for payments of money or property, including the amount of any unpaid dividends declared by the Company where the Valuation Day falls on the record date for determination of the person entitled thereto or is subsequent thereto;

(d) an appropriate provision for future taxes based on capital and income to the Valuation Day, as determined from time to time by the Company, and other provisions, if any, authorised and approved by the Board of Directors covering among others liquidation expenses; and

(e) all other liabilities of the Company of whatsoever kind and nature except liabilities represented by Shares in the Company. In determining the amount of such liabilities the Company shall take into account all expenses payable by the Company comprising formation expenses, fees payable to the Management Company for the performance of its various services and for those rendered by the Investment Managers, the Depositary, paying agents and permanent representatives in places of registration, any other agent/entity employed by the Company, fees for legal and/or auditing services, printing, reporting and publishing expenses, including the cost of advertising and/or preparing and printing of the prospectuses, explanatory memoranda or registration statements, taxes or governmental charges and all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage commissions, insurance premiums, postage, telephone, telegram, telex, telefax message and facsimile (or other similar means of communication). The Company may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

Foreign exchange hedging may be utilised for the benefit of Hedged Share Classes. As such, cost and related liabilities and/or benefits of such hedging activities shall be for the account of that class only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share for shares of any such Hedged Share Class. The currency exposures of the assets of the relevant Fund will not be allocated to separate classes. Foreign exchange hedging shall not be used for speculative purposes. The periodic reports of the Company will indicate how hedging transactions have been utilised.

In accordance with the Law of 12 July 2013, the valuation function is performed by the Management Company independently from the portfolio management function.

In determining the NAV of the Company, the Management Company values cash and receivables at their realisable amounts and records interests as accrued and dividends on the ex-dividend date. The Management Company generally utilises two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities quoted or dealt on a stock exchange, the Management Company will value those securities at their latest available price on said stock exchange (last quoted sale price or official closing price of the day, respectively), or if there is no reported sale, within the range of the most recent bid and ask prices. Securities dealt on an organised market will be valued in a manner as near as possible to that for quoted securities.

The Management Company values over-the-counter portfolio securities acquired by a specific fund in accordance with the investment restrictions set forth in Appendix B above, within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Fund values them according to the broadest and most representative market as determined by the Board of Directors.

Generally, trading in corporate bonds, government securities or money market instruments is substantially completed each day at various times before the close of the New York Stock Exchange. The value of these securities used in computing the NAV is determined as of such times. Occasionally, events affecting the values of these securities may occur between the times at which they are determined and the close of the New York Stock Exchange that will not be reflected in the computation of the NAV. The Management Company relies on third party pricing vendors to monitor for events materially affecting the value of these securities during this period. If an event occurs the third party vendors will provide revised values to the Management Company.

The value of securities not quoted or dealt on a stock exchange or an organised market and of securities which are so quoted or dealt in, but in respect of which no price quotation is available or the price quoted is not representative of the securities' fair market value shall be determined by or under the direction of the Management Company. Short-dated debt transferable securities and money market instruments not traded on a regulated exchange are usually valued on an amortised cost basis.

Since the Company may, in accordance with the investment restrictions set forth in Appendix B above, invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The Management Company has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities.

Units or shares of undertakings for collective investment, including Fund(s) of the Company, shall be valued on the basis of their last available net asset value as reported by such undertakings.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Management Company could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Management Company determines the Company's NAV per share.

Trading in securities on foreign securities stock exchanges and over-the-counter markets, such as those in Europe and Asia, may be normally completed well before the New York Stock Exchange closing time on each day that the New York Stock Exchange is open. Trading in European or Far Eastern securities generally, or in a particular country or countries, may not take place on every Valuation Day. Furthermore, trading may take place in various foreign markets on days that are not Valuation Days and on which the Fund's Net Asset Value is not calculated. Thus, the calculation of the Shares' Net Asset Value does not take place contemporaneously with the determination of the prices of many of the portfolio securities used in the calculation and, if events materially affecting the values of these foreign securities occur, the securities will be valued at fair value as determined and approved in good faith by or under the direction of the Management Company.

SWING PRICING ADJUSTMENT

A Fund may suffer reduction of the Net Asset Value per Share due to Investors purchasing, selling and/or switching in and out of the Fund at a price that does not reflect the dealing costs associated with this Fund's portfolio trades undertaken by the Investment Manager to accommodate cash inflows or outflows.

To counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy.

The Fund operates a partial swing pricing mechanism which is applied when the total capital activity (aggregate of inflows and outflows) exceeds a pre-determined threshold (which may be close to, or at zero), as determined as a percentage of the net assets of that Fund for the Valuation Day. The net inflows and net outflows will be determined by the Company based on the latest available information at the time of calculation of the Net Asset Value.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class in a Fund identically.

The adjustments will seek to reflect the anticipated prices at which the Fund will be buying and selling assets, as well as estimated transaction costs.

Investors are advised that the volatility of any Fund's Net Asset Value might not reflect the true portfolio performance as a consequence of the application of swing pricing.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and will not exceed 2% of the original Net Asset Value per Share. The Board of Directors can approve an increase of this limit in case of exceptional circumstances, unusually large Shareholders trading activities, and if it is deemed to be in the best interest of Shareholders.

The price adjustment is available on request from the Management Company at its registered office.

A Swing Pricing Oversight Committee, which reviews on a periodic basis the operational and governance aspects associated with swing pricing is responsible, among other things, for the determination of swing factors, which the Management Company approves and which form the basis of pre-determined standing instructions.

Additional information on Swing Pricing can be found at: https://www.franklintempleton.lu/investor/resources/investor-tools/swing-pricing.

SUSPENSION OF CALCULATION OF NET ASSET VALUE

1. The Company may suspend the determination of the Net Asset Value of the Shares of any particular Fund and the purchase and sale of the Shares and the switch of Shares from and to such Fund during:

   (a) any period when any of the principal stock exchanges or markets on which any substantial portion of the investments of the Company attributable to such Fund from time to time are quoted is closed, or during which dealings therein are restricted or suspended;

   (b) the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of assets owned by the Company attributable to such Fund would be impracticable;

   (c) any breakdown or restriction in the means of communication normally employed in determining the price or value of any of the investments of any particular Fund or the current price or value on any stock exchange or market;

   (d) any period when the Company is unable to repatriate funds for the purpose of making payments due on sale of Shares of such Fund or any period when the transfer of funds involved in the realisation or acquisition of investments or payments due on sale of Shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange; or

   (e) any period when the Net Asset Value of Shares of any Fund may not be determined accurately;

   (f) during any period when in the opinion of the Directors there exists unusual circumstances where it would be impractical or unfair towards the Shareholders to continue dealing in the Shares of the Company or of any Fund or any other circumstances, or circumstances where a failure to do so might result in the Shareholders or a Fund incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the Shareholders or a Fund might not otherwise have suffered; or

   (g) if the Company or a Fund is being or may be wound-up, on or following the date on which such decision is taken by the Board of Directors or notice is given to Shareholders of a general meeting of Shareholders at which a resolution to wind-up the Company or a Fund is to be proposed; or

   (h) in the case of a merger, if the Board of Directors deems this to be justified for the protection of the Shareholders; or

   (i) in the case of a suspension of the calculation of the net asset value of one or several underlying investment funds in which a Fund has invested a substantial portion of assets.

2. Any such suspension shall be publicised, if appropriate, by the Company and/or the Management Company and shall be notified to Shareholders instructing sale or switching of their Shares by the Company at the time of the filing of the written request for such sale or switch.

ALLOCATION OF ASSETS AND LIABILITIES

The Board of Directors shall establish a pool of assets for the Shares of each Fund in the following manner:

1. (a) the proceeds from the issue of Shares of each Class of each Fund shall be applied in the books of the Company to the pool of assets established for that Fund, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such pool;

   (b) where any asset is derived from another asset, such derivative asset shall be applied in the books of the Company to the same pool as the assets from which it was derived and on each revaluation of an asset, the increase or diminution in value shall be applied to the relevant pool;

   (c) where the Company incurs a liability which relates to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability shall be allocated to the relevant pool;

   (d) in the case where any asset or liability of the Company cannot be considered as being attributable to a particular pool, such asset or liability shall be equally divided between all the pools or, as in so far as justified by the amounts, shall be allocated to the pools pro rata to the net asset value of the relevant pool;

   (e) upon the record date for determination of the person entitled to any dividend declared on the Shares of each Class of any Fund, the Net Asset Value of the Shares of such Fund shall be reduced by the amount of such dividend declared.

2. If there have been created within any Fund two or several Share Classes, the allocation rules set out above shall apply, *mutatis mutandis*, to such Classes.

3. For the purpose of the calculation of the Net Asset Value, the valuation and the allocation as aforesaid, Shares of the Company to be redeemed shall be treated as existing and taken into account until immediately after the close of business on the Valuation Day, and from time to time, until paid the price therefore, shall be deemed to be a liability of the Company; all investments, cash balances and other assets of the Company expressed in currencies other than the currency of the relevant Fund shall be valued after taking into account the market rate or rates of exchange in force at the date and time for determination of the Net Asset Value of Shares; and effect shall be given on any Valuation Day to any purchases or sales of securities contracted for by the Company on such Valuation Day, to the extent practicable.

Appendix E
Franklin Templeton Series II Funds Charges, Fees and Expenses

1. ENTRY CHARGE AND CDSC

Entry Charge

Share Class Overview	Class A	Class I	Class W	Class X	Class Y
Investor Category	Retail / Institutional	Institutional	Retail / Institutional	Institutional	Institutional
Entry Charge	Up to 6.50%	No	No	No	No

CDSC

The amount of the CDSC is calculated by multiplying the percentages indicated in the following chart by the Net Asset Value of the Shares being sold or their Net Asset Value when purchased whichever is less.

CDSC for Class A Shares on qualified investments of USD 1 million or more	
Period since purchase	**Percentage**
Less than 18 months	Up to 1%
Equal or more than 18 months	0%

2. INVESTMENT MANAGEMENT FEES (PER ANNUM)

As Class X Shares and Class Y Shares are, *inter alia*, designed to accommodate an alternative charging structure whereby the Investor is a client of Franklin Templeton Investments and is charged investment management fees directly by Franklin Templeton Investments, no investment management fees will be payable in respect of Class X Shares and Class Y Shares out of the net assets of the relevant Fund.

The following investment management fees payable to the Management Company apply in respect of the Shares as indicated below:

Fund Name	Class A	Class I	Class W
Franklin Floating Rate II Fund	0.60%	0.40%	0.40%
Franklin Multi-Sector Credit Income Fund	0.80%	0.60%	0.60%
Franklin Upper Tier Floating Rate Fund	N/A	0.40%	N/A
Franklin Emerging Market Corporate Debt Fund	N/A	0.80%	0.80%
Franklin Emerging Market Debt Opportunities II Fund	N/A	0.70%	0.70%
Franklin Emerging Market Investment Grade Debt Fund	N/A	0.65%	0.65%

3. MAINTENANCE CHARGES

The following maintenance charges apply in respect of the Class A Shares:

Fund Name	Class A*
Franklin Floating Rate II Fund	up to 0.30%
Franklin Multi-Sector Credit Income Fund	up to 0.40%
Franklin Upper Tier Floating Rate Fund	N/A
Franklin Emerging Market Corporate Debt Fund	N/A
Franklin Emerging Market Debt Opportunities II Fund	N/A
Franklin Emerging Market Investment Grade Debt Fund	N/A

* Maintenance charge per annum applied to the average Net Asset Value of the Share Class.

Appendix F
List of Eligible Markets Outside the EU/EEA

I. Stock Exchanges in European countries that are not member states of the EU or contracting states of the Agreement on a European Economic Area

Armenia:
NASDAQ OMX - Armenia

Bosnia and Herzegovina:
Banja Luka Stock Exchange

Croatia:
Zagreb Stock Exchange

Montenegro:
Montenegro Stock Exchange

Russia:
Russian Trading System Stock Exchange
Moscow Interbank Currency Exchange

Switzerland:
SWX Swiss Exchange

Serbia:
Belgrade Stock Exchange

Turkey:
Istanbul Stock Exchange

Ukraine:
PFTS Stock Exchange

II. Stock Exchanges in Non-European Countries

Egypt:
Cairo & Alexandria Stock Exchanges

Argentina:
Buenos Aires

Australia:
Australian Securities Exchange (ASX)

Bermuda:
Bermuda Stock Exchange

Brazil:
Sao Paulo
Rio de Janeiro

Chile:
Santiago

China:
Hong Kong Stock Exchange
Shanghai Stock Exchange
Shenzhen Stock Exchange

India:
Bombay Stock Exchange (BSE)
National Stock Exchange of India (NSE)
Calcutta
Delhi
Madras

Indonesia:
Indonesia Stock Exchange

Iran:
Stock Exchange of Tehran

Israel:
Tel-Aviv Stock Exchange

Japan:
Tokyo
Osaka
Nagoya
Fukuoka
Sapporo
JASDAQ Securities Exchange

Jordan:
Amman Stock Exchange

Canada:
Toronto Stock Exchange
Montréal Stock Exchange
TSX Venture Exchange

Kazakhstan:
Kazakhstan Stock Exchange (KASE)

Columbia:
Colombian Stock Exchange

Korea:
Korea Exchange (Busan, Seoul)

Malaysia:
Bursa Malaysia
Malaysian Bonds Market

Mauritius:
Stock Exchange of Mauritius

Mexico:
Mexico City

New Zealand:
New Zealand Exchange (NZX)

Peru:
Lima

Philippines:
Philippine Stock Exchange

Saudi Arabia:
Saudi Stock Exchange (Tadawul)

Singapore:
Singapore Exchange Ltd.

Sri Lanka:
Colombo Stock Exchange

South Africa:
Johannesburg (JSE)

Taiwan:
Taiwan Stock Exchange (TWE)

Thailand:
Stock Exchange of Thailand

USA:
NYSE Amex LLC
New York Stock Exchange LLC
NASDAQ OMX PHLX, Inc.
Chicago Board Options Exchange, Inc.
Chicago Stock Exchange, Inc.
NASDAQ OMX BX, Inc.
National Stock Exchange, Inc.
International Securities Exchange (ISE)
The Nasdaq Stock Market LLC

III. Organised Markets outside the member states of the EU and outside the contracting sates of the Agreement on the European Economic Area

Canada:
Over the Counter Market

Japan:
Over the Counter Market

Korea:
Over the Counter Market

Switzerland:
BX Berne eX-change

USA:
Over the Counter Market (under supervision by FINRA or SEC)

Over the Counter Market of the Members of the International Capital Market Association (ICMA),

Zurich



FRANKLIN
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Société d'investissement à capital variable
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