

AUDITED ANNUAL REPORT

FRANKLIN TEMPLETON SERIES II FUNDS

Société d'investissement à capital variable

October 31, 2020



FRANKLIN
TEMPLETON®

FRANKLIN TEMPLETON SERIES II FUNDS

société d'investissement à capital variable

AUDITED ANNUAL REPORT

For the year ended October 31, 2020

This report shall not constitute an offer or a solicitation of an offer to buy shares of Franklin Templeton Series II Funds (hereafter referred to as "FTSIIF" or the "Company"). Subscriptions are to be made on the basis of the current prospectus, a copy of the latest available audited report and, if published thereafter, the latest unaudited semi-annual report.

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General Information

As at October 31, 2020

société d'investissement à capital variable

8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg

(Registered with the registre de commerce et des sociétés, Luxembourg, under number B-127.818)

BOARD OF DIRECTORS:

Chairman

William Jackson

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

5 Morrison Street, Edinburgh EH3 8BH, Scotland
United Kingdom

Directors

Caroline Carroll

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

Cannon Place, 78 Cannon Street, London EC4N 6HL
United Kingdom

(Since April 29, 2020)

Michel Tulle

General Manager and Conducting Officer

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l. FRENCH BRANCH

18-20 rue de la Paix

75002 Paris

France

Judith Mertesdorf-Perathoner

Vice President, Global Fund Tax

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

(Since March 26, 2020)

James F. Kinloch

Director

FRANKLIN TEMPLETON LUXEMBOURG S.A.

8A, rue Albert Borschette

L-1246 Luxembourg

Grand Duchy of Luxembourg

(Date of resignation April 24, 2020)

Reinhard Berben

Managing Director

FRANKLIN TEMPLETON INVESTMENT SERVICES GMBH

Mainzer Landstrasse 16

60325 Frankfurt

Germany

(Date of resignation January 31, 2020)

MANAGEMENT COMPANY:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

REGISTERED OFFICE:

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

PRINCIPAL DISTRIBUTOR:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

DISTRIBUTION CONTROLLER:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

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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

280 Park Avenue

New York, NY 10017

United States of America

DEPOSITARY AND LISTING AGENT:

THE BANK OF NEW YORK MELLON SA/NV,
LUXEMBOURG BRANCH
Vertigo Building
2-4, rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

PRINCIPAL PAYING AGENT:

J.P. MORGAN BANK LUXEMBOURG S.A.
European Bank & Business Centre
6 Route de Trèves, L-2633 Senningerberg
Grand Duchy of Luxembourg

ADMINISTRATIVE AGENT:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES
S.à r.l.
8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg
(until May 17, 2020)

J.P. MORGAN BANK LUXEMBOURG S.A.
European Bank & Business Centre
6C Route de Trèves, L-2633 Senningerberg
Grand Duchy of Luxembourg
(Appointed as from May 18, 2020)

AUDITOR:

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

INVESTMENT MANAGERS PER FUND:

Franklin Floating Rate II Fund:
Franklin Advisers, Inc.

Franklin Emerging Market Corporate Debt Fund*:
Franklin Templeton Investment Management Limited and
Franklin Templeton Institutional, LLC

Franklin Emerging Market Debt Opportunities II Fund:
Franklin Templeton Investment Management Limited

Franklin Emerging Market Investment Grade Debt Fund:
Franklin Templeton Investment Management Limited

Franklin Upper Tier Floating Rate Fund:
Franklin Advisers, Inc.

Franklin Multi-Sector Credit Income Fund:
Franklin Advisers, Inc.

*Effective May 29, 2020, Franklin Emerging Market Corporate Debt Fund was merged into FTIF-Franklin Emerging Market Corporate Debt Fund.

Report of the Board of Directors

The Board of Directors of Franklin Templeton Series II Funds ("FTSIIF") submits the following report for the financial year ended October 31, 2020.

Structure and size of the fund

FTSIIF is an open-ended investment company organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and qualifies as a société d'investissement à capital variable ("SICAV"). FTSIIF qualifies as an Undertaking for Collective Investment ("UCI") under the Directive 2009/65/EC of July 13, 2009 of the European Parliament and of the Council and is registered on the official list of Undertakings for Collective Investment pursuant to Part II of the Luxembourg law of December 17, 2010 relating to Undertakings for Collective Investment, as amended. The Company qualifies as an Alternative Investment Fund within the meaning of article 1(39) of the law of July 12, 2013. The Company has appointed Franklin Templeton International Services S.à r.l. (the "Management Company" or the "AIFM" or "FTIS") as an authorized Alternative Investment Fund Manager to provide investment management and marketing functions to the Company with the possibility to delegate certain of such functions to third-parties.

FTSIIF was incorporated officially on May 14, 2007 for an undetermined period of time. FTSIIF is organised as an umbrella structure for sub-funds, each of which has its own investment portfolio.

At financial year ended October 31, 2020, FTSIIF comprised the following five sub-funds:

- Franklin Templeton Series II Funds – Franklin Floating Rate II Fund (put into liquidation effective August 11, 2020)
- Franklin Templeton Series II Funds – Franklin Emerging Market Investment Grade Debt Fund
- Franklin Templeton Series II Funds – Franklin Upper Tier Floating Rate Fund (put into liquidation effective January 17, 2019)
- Franklin Templeton Series II Funds – Franklin Multi-Sector Credit Income Fund
- Franklin Templeton Series II Funds – Franklin Emerging Market Debt Opportunities II Fund

The base currency of the first four sub-funds is the U.S. dollar. The base currency of the Franklin Emerging Market Debt Opportunities II Fund is the Euro.

At financial year ended October 31, 2020, FTSIIF had net assets of USD 1.35 billion, compared to USD 1.29 billion under management as at October 31, 2019.

Board of Directors

The Board of Directors is responsible for the FTSIIF's management and administration, including the determination of investment policy, and has appointed Franklin Templeton International Services S.à r.l. as the Management Company to perform the day-to-day management and administration of FTSIIF. At October 31, 2020, the Directors were the following:

- William Jackson
- Michel Tulle
- Judith Mertesdorf-Perathoner
- Caroline Carroll

Notable events

On May 29, 2020, Franklin Emerging Market Corporate Debt Fund was merged into Franklin Templeton Investment Funds (FTIF) - Franklin Emerging Market Corporate Debt Fund. The conversion of shares were based on the following ratios:

- For 1 Franklin Emerging Market Corporate Debt Fund - I (acc) EUR-H1 (hedged), the Shareholder received 1 share of FTIF - Franklin Emerging Market Corporate Debt Fund - I (acc) EUR-H1 (hedged)
- For 1 Franklin Emerging Market Corporate Debt Fund - I (acc) USD, the Shareholder received 1 share of FTIF - Franklin Emerging Market Corporate Debt Fund - I (acc) USD
- For 1 Franklin Emerging Market Corporate Debt Fund – Y (acc) USD, the Shareholder received 1 share of FTIF - Franklin Emerging Market Corporate Debt Fund - Y (acc) USD
- For 1 Franklin Emerging Market Corporate Debt Fund – Y (Mdis) EUR, the Shareholder received 1 share of FTIF - Franklin Emerging Market Corporate Debt Fund - Y (Mdis) EUR

Franklin Floating Rate II Fund was put into the liquidation effective August 11, 2020.

Notable events (continued)

Effective August 11, 2020, Investment management fee discontinued on the following share classes held within the Franklin Floating Rate II Fund:

- Franklin Floating Rate II Fund A (acc) USD
- Franklin Floating Rate II Fund A (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund A (Mdis) USD
- Franklin Floating Rate II Fund I (acc) USD
- Franklin Floating Rate II Fund I (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund I (acc) GBP-H1 (hedged)
- Franklin Floating Rate II Fund I (Mdis) USD
- Franklin Floating Rate II Fund I (Qdis) EUR-H1 (hedged)
- Franklin Floating Rate II Fund I (Ydis) USD
- Franklin Floating Rate II Fund I (Ydis) CHF-H1 (hedged)
- Franklin Floating Rate II Fund I (Ydis) EUR-H1 (hedged)
- Franklin Floating Rate II Fund W (acc) USD
- Franklin Floating Rate II Fund W (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund W (Qdis) USD
- Franklin Floating Rate II Fund Y (Mdis) USD

THE BOARD OF DIRECTORS

Luxembourg, November 2020

Report of the Investment Managers

Franklin Emerging Market Debt Opportunities II Fund

Market Overview

Just before the 12 months under review, the Federal Reserve (Fed) projected that it would keep interest rates on hold until 2021. And in January, a “phase one” trade agreement between the United States and China boosted financial assets in many emerging markets.

But from mid-February, the coronavirus crisis interrupted economic activity and triggered falls in asset prices around the world. Governments and central banks provided historic levels of support, and the Fed cut rates 150 basis points (bps) over two weeks in March.

Policymakers in emerging markets followed suit. Some emerging market (EM) central banks started using the same quantitative easing tools that central banks in developed markets had pioneered after the 2007-2008 financial crisis.

Multilateral organisations, led by the International Monetary Fund, also helped EM governments provide swift and substantial support. And financial markets continued to supply substantial liquidity to those governments and corporations that chose to refinance or issue new debt. As a result, asset prices quickly recovered. EM currencies remain, however, weaker than at the start of the 12 months under review.

Oil prices trended around US\$60 per barrel until early 2020 but fell after negotiations between Russia and Saudi Arabia broke down in February and the coronavirus crisis spread. Brent Crude oil slumped to a historic low of less than US\$20 per barrel in April, but then recovered to US\$40-US\$45 for the rest of the year.

Localised debt crises continued in several countries, including Venezuela and Lebanon, but Argentina and Ecuador successfully negotiated debt restructurings.

At the end of the 12 months under review, economic activity has recovered in several countries, mainly in Asia. But the pandemic rages on in most other emerging markets, notably in Latin America and Africa, while many developed markets are braced for a so-called “second wave”.

- EM hard-currency sovereign bonds returned 0.09% in the 12 months to 31 October 2020, as per the JPMorgan EM Bond Index Global Diversified B-/B3 and higher, hedged into euros. Benchmark 10-year US Treasury yields fell from 1.69% at the beginning of the review period to 0.88% at the end of October 2020. EM risk spreads spiked in March, but fell back somewhat by October.

- EM hard-currency corporate bonds returned 2.78% over the review period, as per the ICE BofAML Emerging Market Corporate Plus Index, hedged into euros.

- EM local-currency sovereign debt prices fell by 5.92% over the same timeframe, as per the JP Morgan GBI-EM Broad Diversified index, in euros. Prices for EM local-currency bonds rose in local-currency terms, but most EM currencies weakened, relative to the euro.

Investment Strategy

The fund's objective is to achieve income yield and long-term capital appreciation. It seeks to achieve this objective by investing primarily in fixed- and floating-rate debt securities and debt obligations of government and government-related issuers, supranational entities organised or supported by several national governments, and corporate issuers located in an EM country and/or deriving a significant proportion of their economic activity from EM countries.

Manager's Discussion

For the 12-month period ending 31 October 2020, the fund registered a -1.77% (I [Ydis] shares in euros), compared with a return of 0.09% for the JPMorgan EM Bond Index Global Diversified B-/B3 and higher, hedged into euros, and a loss of 5.92% for the JP Morgan GBI-EM Broad Diversified Index, also in euros.

Main contributors

1. Long-dated Uruguayan local-currency bonds

Uruguay's new parliament was sworn in on 15 February, and a new president, Luis Lacalle Pou, was inaugurated on 1 March. After he came to power, Uruguay's central bank changed its policy framework, from targeting money growth to focusing on interest rates. Investors see this revised framework as an important step to lower inflation, a less volatile peso and lower nominal interest rates. This benefited Uruguayan local-currency bonds, and in particular the long-dated bonds held by the fund.

2. Mexican local-currency bonds

Even before the coronavirus crisis, Mexico's economy was slowing into 2020, with room for its central bank to lower rates, which lifted Mexican-peso bonds. The weaker Mexican peso, however, erased much of this positive impact.

Main detractors

1. Weaker EM currencies, in particular the Turkish lira

Generally, EM currencies weakened in 2020 because EM governments provided substantial monetary stimulus due to the coronavirus. The lira, in particular, weakened because Turkey's central bank cut interest rates seven times during the year under review, by an aggregate 8.25%. It did so despite high credit growth and a twin deficit (budget/current account) until a surprise rate hike in September 2020. Turkey's official reserves decreased rapidly after the bank tried to stabilise the currency in June and July 2020, so it rolled back that support from August onwards.

2. Salvadoran US-dollar bonds

Lower oil prices improved El Salvador's terms of trade during the year under review. But the country's relatively strict lockdown measures and a decrease in remittances from abroad will make for an expected economic contraction of 6.5% to 8.5% in 2020, worse than in neighboring countries.

Bond prices fell again in September, after the replacement of Finance Minister Nelson Fuentes. In many investors' opinion, Fuentes' replacement means that the country's president, Nayib Bukele, will control financial policy, and Bukele has advocated an ambitious expenditure programme.

Franklin Emerging Market Investment Grade Debt Fund

Market overview

Just before the 12 months under review, the Federal Reserve (Fed) projected that it would keep interest rates on hold until 2021. And in January, a "phase one" trade agreement between the United States and China boosted financial assets in many emerging markets.

But from mid-February, the coronavirus crisis interrupted economic activity and triggered falls in asset prices around the world. Governments and central banks provided historic levels of support, and the Fed cut rates 150 basis points (bps) over two weeks in March.

Policymakers in emerging markets followed suit. Some emerging market (EM) central banks started using the same quantitative easing tools that central banks in developed markets had pioneered after the 2007-2008 financial crisis.

Multilateral organisations, led by the International Monetary Fund, also helped EM governments provide swift and substantial support. And financial markets continued to supply substantial liquidity to those governments and corporations that chose to refinance or issue new debt. As a result, asset prices quickly recovered. EM currencies remain, however, weaker than at the start of the 12 months under review.

Oil prices trended around US\$60 per barrel until early 2020 but fell after negotiations between Russia and Saudi Arabia broke down in February and the coronavirus crisis spread. Brent Crude oil slumped to a historic low of less than US\$20 per barrel in April, but then recovered to US\$40-US\$45 for the rest of the year.

Localised debt crises continued in several countries, including Venezuela and Lebanon, but Argentina and Ecuador successfully negotiated debt restructurings.

At the end of the 12 months under review, economic activity has recovered in several countries, mainly in Asia. But the pandemic rages on in most other emerging markets, notably in Latin America and Africa, while many developed markets are braced for a so-called “second wave”.

- EM investment-grade (IG) hard-currency government bonds returned 6.79% in the 12 months under review, as per the JP Morgan EM Bond Index Global Diversified—Investment Grade, in US dollars. Benchmark 10-year US Treasury yields fell from 1.69% at the beginning of the review period to 0.88% at the end of October 2020. EM IG risk spreads started the review period at 163 basis points (bps), spiked to more than 300 bps in March, but fell back to 176 bps at the end of October, on a yield-to-worst basis.

- EM local-currency IG sovereign debt returned 0.24% over the review period, as per the JP Morgan GBI-EM Global Diversified Investment Grade, in US dollars. Local-currency EM IG yields fell around 73 bps during that time, but EM currencies depreciated significantly, relative to the US dollar.

- EM hard-currency IG corporate bonds returned 4.49% during the period, as per the ICE BofAML Emerging Markets High Grade Corporate Plus Index, hedged into US dollars. EM IG corporate bonds' risk spreads over US Treasuries narrowed, but less so than EM sovereign spreads.

Investment Strategy

The fund's objective is to achieve income yield and long-term capital appreciation. It seeks to achieve this objective by investing primarily in fixed- and floating-rate debt securities and debt obligations of government and government-related issuers, supranational entities organised or supported by several national governments, and corporate issuers located in an EM country and/or deriving a significant proportion of their economic activity from EM countries. All investments will, at the time of purchase, be rated as investment grade by one or more credit ratings agencies or, if unrated, be declared to be of comparable quality by the Investment Manager.

Manager's Discussion

The fund returned 3.77% (1 [acc] shares in US dollars) net of fees, for the 12-month period ending 31 October 2020.

Main contributors

1. Long-dated Uruguayan local-currency bonds

Uruguay's new parliament was sworn in on 15 February, and a new president, Luis Lacalle Pou, was inaugurated on 1 March. After he came to power, Uruguay's central bank changed its policy framework, from targeting money growth to focusing on interest rates. Investors see this revised framework as an important step to lower inflation, a less volatile peso and lower nominal interest rates. This benefited Uruguayan local-currency bonds, and in particular the long-dated bonds held by the fund.

2. Mexican local-currency bonds

Even before the coronavirus crisis, Mexico's economy was slowing into 2020, with room for its central bank to lower rates, which lifted Mexican-peso bonds. The weaker Mexican peso, however, erased much of this positive impact.

Main detractors

1. Weaker EM currencies, in particular the Turkish lira

Generally, EM currencies weakened in 2020 because EM governments provided substantial monetary stimulus due to the coronavirus. The lira, in particular, weakened because Turkey's central bank cut interest rates seven times during the year under review, by an aggregate 8.25%. It did so despite high credit growth and a twin deficit (budget/current account) until a surprise rate hike in September 2020. Turkey's official reserves decreased rapidly after the bank tried to stabilise the currency in June and July 2020, so it rolled back that support from August onwards.

2. US-dollar bonds of Mexico City Airport Trust ("MEXCAT")

The downturn in airport traffic because of the coronavirus has reduced passenger fees, which flow directly from airlines to MEXCAT. This shortfall in cashflow, and difficulties in collecting these fees, means that MEXCAT will need to draw on liquidity in its six-month Debt Service Reserve Account (DRSA) to pay upcoming coupons, and may need to seek bondholders' permission to use funds in a so-called Principal Accumulation Account to top up the DRSA. The company's investment-grade rating may be at risk in such a scenario.

Franklin Multi-Sector Credit Income Fund

Market Overview

Prior to February, financial markets benefitted from persistent strength in corporate and economic fundamentals as US economic growth was supported by an accommodative central bank policy and an announced "phase one" trade deal between the US and China. Favourable returns gave way to a notable increase in volatility in February as COVID-19 began to spread rapidly across the globe. As governments took aggressive actions to try to contain the virus and its economic impact, the short-term outlook for the global economy deteriorated significantly. Ultimately, markets spent most of February and all of March trying to "price in" an event for which there was no readily-known precedent. After an historic decline from late February through late March, financial markets began to recover in April amidst unprecedented fiscal and monetary measures by central banks and governments. The US Federal Reserve (Fed) provided significant support through lowering rates to the zero lower bound in March and subsequent direct and indirect purchases of financial instruments in sectors such as investment-grade (IG) and high-yield (HY) corporate bonds. These actions lowered the cost of capital for companies and provided additional liquidity to financial market participants. Governments around the world acted with seldom seen speed to provide trillions of dollars in fiscal spending to buffer the impact of mandated shutdowns of economic activity. The Fed's commitment to provide liquidity to businesses and financial markets helped alleviate market sentiment and drove performance in sectors such as HY and IG corporates from April onwards, despite lingering economic uncertainties surrounding the pandemic.

During the 12-month performance period under review, the Fed announced a 50-basis point (bp) cut to the fed funds rate on 3 March; the first inter-meeting action since the global financial crisis. On 15 March, with markets continuing to exhibit severe disfunction, the Fed further reduced the policy rate to 0% (a 100 bp) cut. The Fed announced in August that they would be adopting what Chair Powell described as "flexible average inflation targeting." As part of the new approach, the Fed plans to keep the fed funds rate at the zero-lower-bound, and "expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time." While the minutes from the Fed's September meeting showed that economic activity had been recovering much faster than the participants had initially expected, the Fed acknowledged that both the economy and the labour market were a long way from being fully recovered. The Fed also noted the need for additional fiscal support from the US government. Participants acknowledged that fiscal support from the Coronavirus Aid, Relief, and Economic Security (CARES) act had a strong impact in "bolstering the financial situations of millions of families," but stressed that additional support was needed to continue the economic recovery and meet the upgraded projections released by the Fed. The September minutes also noted that "if future fiscal support was significantly smaller or arrived significantly later than they expected, the pace of the recovery could be slower than anticipated."

Post the US presidential election, we expect a further fiscal stimulus package to be agreed upon, allowing most US households to sustain their finances (and therefore consumption) over the first half of 2021. With US-China tensions now a bipartisan issue, any significant softening of the US position on trade with China seems improbable. Nevertheless, we have concerns about how long the current levels of government support for some US companies can be extended, particularly in those parts of the economy most severely impacted by the COVID-19 pandemic. Against this backdrop, changes in 2021 to the US Federal Reserve's current stance of extremely accommodative monetary policy look unlikely, in our view.

Bank Loan

Risk-off market sentiment prevailed during the latter part of October as rising COVID-19 cases and the prospect of renewed lockdowns in Europe pressured financial markets, along with the bank loan sector. Bank loans ended the month with a slightly negative total return. In light of challenging circumstances related to COVID-19, loan market technical conditions remained generally supportive, driven mostly by a continuation of retail outflow tapering and robust demand from collateralised loan obligations (CLOs). Triple-A rated CLO tranches offer LIBOR (London Interbank Offered Rate) plus returns, compared with

similar-quality but negative-yielding alternatives and have continued to be well supported by investors. With the exception of October, new loan supply has remained generally muted as issuers continue to favour the HY market for their funding needs- limited new loan supply has persisted as an additional support for loan market technical conditions.

Despite supportive loan market technical conditions, we have maintained our prudent credit selection across credit-quality tiers and industry sectors given persistent COVID-19 related challenges. We have been actively reducing Upper-Tier exposure and increasing Middle-Tier exposure. Longer term, we remain constructive in our outlook. Recent developments such as announcement of a US presidential election winner and a senate race that has largely concluded without dominance by one party could help alleviate market uncertainty as investors now have a better expectation of policy direction. Pfizer's positive COVID-19 vaccine update sets an optimistic tone for other vaccines in advanced stages of clinical trial, which could potentially provide tailwinds for market sentiment and tighter spreads, in our view. We are optimistic that the market headwinds we have experienced in 2020 should gradually subside throughout 2021. As we are focused on fundamentally sound credits in the immediate term, we are positioning our portfolio with the prospect of that eventual longer-term recovery

High Yield

Against the backdrop of risk-off market sentiment towards the latter part of October, the HY market nevertheless posted a positive total return for the month. Higher-rated BB bonds and their lower-quality B and CCC rated counterparts all posted similar positive performance. On a year-to-date basis, however, BB rated bonds outperformed, followed by B and CCC with negative returns. Similar to September, energy led the underperformance industry-wise. Media and gaming segments also lagged, while the health care and technology industries outperformed. Default levels remained benign and have continued to subside since July's peak. Looking forward, while we acknowledge that market sentiment could improve noticeably as investors gain more certainty regarding economic policy direction and pandemic stimulus after the election, we believe that individual security selection remains paramount given challenged fundamentals. We maintain our view that investors should remain vigilant and selective until COVID-19 outlook and vaccine development progress become clearer.

While a supportive technical environment has persisted amidst the Fed's unprecedented (albeit limited) involvement in the financial market, we have maintained a more balanced view on HY credit. We remain underweight to credits in industries most exposed to COVID-19 related difficulties but continue to identify opportunities in both select new issues and in the secondary market. In addition, it is worth noting that the overall quality of the HY market has improved since the start of the year, as defaults have cleared out many of the lower-quality companies while a large number of fallen angels have also provided investors with an attractive opportunity to invest in larger, more asset-rich companies than typically available. While the election results may take some time to be finalised, the markets are generally positive on a divided outcome versus dominance by one party. Furthermore, the third quarter earnings season has started off better than feared for most HY issuers. We believe these factors are helping to support continued interest in the HY market in the near term. Longer term, we look forward to the possibility of improved economic prospects as the market headwinds we have experienced this year should gradually subside throughout 2021, in our view.

Investment Strategy

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. 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.

Manager's Discussion

During the 12-month period ended 31 October 2020, the fund returned 2.80% (1 [acc] shares in US dollars) on a net basis. Over the period, our exposure to HY corporate bonds and CLOs was a major contributor to relative performance. Our security selection in IG corporate bonds was also a major contributor to results, while our allocation to IG corporate bonds detracted. Our exposure to bank loans also hindered performance. Our exposure to sovereign emerging market (EM) debt detracted from results, as did our allocation to sovereign developed market debt. Conversely, our allocation to non-US dollar denominated

developed market and EM debt benefitted performance, as did our security selection in sovereign developed market debt. Our allocation to residential mortgage-backed securities hindered results. Our overall foreign currency exposure detracted from performance, driven mostly by our underweight euro position. Our US and non-US yield curve positioning were major contributors to performance.

THE INVESTMENT MANAGERS

November 2020

The information stated in this report represents historical data and is not an indication of future results.

Independent auditor's report

To the Shareholders of
Franklin Templeton Series II Funds
8A, rue Albert Borschette
L-1246 Luxembourg

Opinion

We have audited the financial statements of Franklin Templeton Series II Funds and of each of its sub-funds (the "Fund"), which comprise the statement of net assets and the schedule of investments as at October 31, 2020 and the statement of operations and changes in net assets for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at October 31, 2020 and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and of each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d'entreprises agréé” for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.

- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds (except for the sub-funds where a decision or an intention to close exists) to cease to continue as a going concern.
- In respect of sub-funds where a decision or an intention to close exists, we conclude on the appropriateness of the Board of Directors of the Fund's use of the non-going concern basis of accounting. We also evaluate the adequacy of the disclosures describing the non-going basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé".
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Kerry Nichol

Luxembourg, February 26, 2021

Fund Performance

Percentage Change to October 31, 2020

	Share Class	Launch Date	6 Month %	1 Year %	3 Years %	Since Launch %
Franklin Emerging Market Debt Opportunities II Fund	I (Ydis) EUR	30 Nov 12	11.2	(1.8)	2.1	24.3
Franklin Emerging Market Debt Opportunities II Fund	X (Ydis) EUR	13 Nov 15	11.6	(1.0)	4.4	22.0
Franklin Emerging Market Debt Opportunities II Fund	Y (acc) AUD-H1 (hedged)	17 May 19	11.7	(1.2)	–	1.4
Franklin Emerging Market Debt Opportunities II Fund	Y (acc) USD-H1 (hedged)	17 May 19	12.4	0.8	–	4.1
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR	24 Feb 12	3.1	(0.6)	12.2	52.9
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR-H1 (hedged)	24 Feb 12	8.6	1.3	3.4	17.2
Franklin Emerging Market Investment Grade Debt Fund	I (acc) USD	24 Feb 12	9.5	3.8	12.1	32.3
Franklin Emerging Market Investment Grade Debt Fund	Y (Mdis) USD	12 Jan 18	10.0	4.6	–	12.4
Franklin Multi-Sector Credit Income Fund	I (acc) AUD-H1 (hedged)	02 Oct 15	9.1	0.7	5.8	22.7
Franklin Multi-Sector Credit Income Fund	I (acc) CHF-H1 (hedged)	02 Oct 15	8.8	0.5	(0.4)	9.6
Franklin Multi-Sector Credit Income Fund	I (acc) EUR-H1 (hedged)	02 Oct 15	8.9	0.7	1.1	12.1
Franklin Multi-Sector Credit Income Fund	I (acc) GBP-H1 (hedged)	02 Oct 15	9.4	0.9	3.2	17.0
Franklin Multi-Sector Credit Income Fund	I (acc) USD	02 Oct 15	9.8	2.8	9.1	24.8
Franklin Multi-Sector Credit Income Fund	I (Qdis) EUR-H1 (hedged)	02 Oct 15	9.0	0.7	0.9	12.0
Franklin Multi-Sector Credit Income Fund	I (Ydis) EUR	02 Oct 15	3.3	(1.6)	8.9	19.8
Franklin Multi-Sector Credit Income Fund	I (Ydis) EUR-H1 (hedged)	02 Oct 15	8.9	0.7	1.0	12.1
Franklin Multi-Sector Credit Income Fund	I (Ydis) GBP-H1 (hedged)	02 Oct 15	9.5	0.9	3.3	17.3
Franklin Multi-Sector Credit Income Fund	I (Ydis) USD	02 Oct 15	9.8	2.7	8.8	24.4

This report shall not constitute an offer or a solicitation of an offer to buy shares. Subscriptions are to be made on the basis of the current issuing document, and a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report. The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested. Past performance is no guarantee of future performance. Currency fluctuations may affect the value of investments.

Data source: Performance – Franklin Templeton and JPMorgan

Statement of Net Assets

As at October 31, 2020

	Total	Franklin Emerging Market Debt Opportunities II Fund	Franklin Emerging Market Investment Grade Debt Fund
	(USD)	(EUR)	(USD)
ASSETS			
Investments in securities at market value (note 2(b))	1,273,365,923	1,034,736,703	26,833,161
Cash at bank and at brokers	68,556,379	55,242,854	580,595
Amounts receivable on sale of investments	4,373,528	—	—
Interest and dividends receivable, net	22,259,168	18,643,892	354,574
Unrealised profit on forward foreign exchange contracts (notes 2(c), 4)	86,029	67,774	—
Unrealised profit on unfunded loan commitments (note 10)	262	—	—
Other receivables	449,958	340,506	7,390
TOTAL ASSETS	1,369,091,247	1,109,031,729	27,775,720
LIABILITIES			
Amounts payable on purchases of investments	9,527,720	7,985,575	—
Investment management fees payable (note 8)	800,685	659,860	71
Unrealised loss on forward foreign exchange contracts (notes 2(c), 4))	10,215,267	8,687,542	1,060
Unrealised loss on cross currency swap contracts (notes 2(h), 5)	821	—	—
Unrealised loss on total return swap contracts (notes 2(f), 7)	2,007	—	—
Credit default swap contracts at market value (notes 2(g), 6)	31,137	—	—
Taxes and expense payable	922,376	462,902	41,237
TOTAL LIABILITIES	21,500,013	17,795,879	42,368
TOTAL NET ASSETS	1,347,591,234	1,091,235,850	27,733,352
THREE YEAR ASSET SUMMARY			
October 31, 2019	1,293,686,591	881,086,941	39,092,495
October 31, 2018	2,934,982,646	788,614,963	36,682,976
October 31, 2017	3,423,491,459	771,205,013	36,634,222

¹This Fund was put into liquidation effective August 11, 2020²This Fund was put into liquidation effective January 17, 2019

Statement of Net Assets

As at October 31, 2020

Franklin Floating Rate II Fund ¹	Franklin Multi- Sector Credit Income Fund	Franklin Upper Tier Floating Rate Fund ²
(USD)	(USD)	(USD)
14,280,035	15,958,292	11,240,100
1,654,749	276,594	1,708,615
4,363,828	9,700	—
71,591	120,327	—
6,885	214	—
—	262	—
43,948	2,067	—
20,421,036	16,367,456	12,948,715
—	227,720	—
32,141	—	—
30,853	43,598	22,245
—	821	—
—	2,007	—
—	31,137	—
193,676	39,685	108,682
256,670	344,968	130,927
20,164,366	16,022,488	12,817,788
212,186,294	15,863,595	19,412,435
730,357,536	26,134,218	1,231,068,539
728,788,836	26,080,329	1,698,335,823

Statement of Operations and Changes in Net Assets

For the year ended October 31, 2020

	Total	Franklin Emerging Market Corporate Debt Fund ¹	Franklin Emerging Market Debt Opportunities II Fund
	(USD)	(USD)	(EUR)
NET ASSETS AT THE BEGINNING OF THE YEAR	1,293,686,591	24,455,460	881,086,941
Currency translation adjustment	43,437,513	—	—
	1,337,124,104	24,455,460	881,086,941
INCOME			
Interest on bonds (net of withholding taxes) (note 2(j))	91,648,617	827,439	71,527,155
Bank interest	451,563	2,013	196,790
Net interest income on swaps	32,477	—	—
TOTAL INCOME	92,132,657	829,452	71,723,945
EXPENSES			
Investment management fees (note 8)	9,044,117	48,959	7,233,844
Administration and transfer agency fees	2,311,935	13,115	1,735,843
Subscription tax (note 11)	177,438	1,268	114,036
Custodian fees	738,721	—	514,058
Audit fees	64,525	7,997	9,829
Printing and publishing expenses	33,514	1,982	16,886
Bank charges	165,122	471	141,288
Net interest expenses on swaps	67,081	—	—
Maintenance and service charges (note 12)	116,241	—	—
Other charges	367,530	31,005	123,919
TOTAL EXPENSES	13,086,224	104,797	9,889,703
Expense reimbursement (note 13)	(931,479)	(12,821)	(464,375)
NET EXPENSES	12,154,745	91,976	9,425,328
NET PROFIT/(LOSS) FROM INVESTMENTS	79,977,912	737,476	62,298,617
Net realised profit/(loss) on sale of investments	(60,000,732)	56,298	(21,293,514)
Net realised profit/(loss) on forward foreign exchange contracts	40,064,946	7,259	33,297,794
Net realised profit/(loss) on financial future contracts	14,382	—	—
Net realised profit/(loss) on cross currency swap contracts	9,012	—	—
Net realised profit/(loss) on total return swap contracts	(19,339)	—	—
Net realised profit/(loss) on credit default swap contracts	528,574	—	—
Net realised profit/(loss) on foreign exchange transactions	(2,741,962)	24,559	(2,286,447)
NET REALISED PROFIT/(LOSS) FOR THE YEAR	57,832,793	825,592	72,016,450
Change in net unrealised appreciation/(depreciation) on:			
Investments	(79,456,049)	(1,667,410)	(75,268,252)
Forward foreign exchange contracts	(15,453,614)	(1,102)	(12,601,258)
Financial futures contracts	2,130	—	—
Cross currency swap contracts	(9,833)	—	—
Total return swap contracts	(20,931)	—	—
Credit default swap contracts	(323,823)	—	—
Foreign exchange transactions	(55,530)	(9,913)	(50,219)
Capital gains tax	(219,751)	—	(184,896)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	(37,704,608)	(852,833)	(16,088,175)
MOVEMENT OF CAPITAL			
Issue of shares	364,091,129	4,953,887	290,259,418
Redemption of shares	(227,365,352)	(27,703,979)	(4,522,473)
Equalisation (note 16)	(196,679)	(46,796)	3,231,739
	136,529,098	(22,796,888)	288,968,684
Dividends paid/accumulated	(88,357,360)	(805,739)	(62,731,600)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL	48,171,738	(23,602,627)	226,237,084
NET ASSETS AT THE END OF THE YEAR	1,347,591,234	—	1,091,235,850
Portfolio Turnover Ratio (note 17)		N/A	50.16%

¹This Fund was merged into FTIF-Franklin Emerging Market Corporate Debt Fund on May 29, 2020²This Fund was put into liquidation effective August 11, 2020³This Fund was put into liquidation effective January 17, 2019

Statement of Operations and Changes in Net Assets

For the year ended October 31, 2020

Franklin Emerging Market Investment Grade Debt Fund	Franklin Floating Rate II Fund ²	Franklin Multi- Sector Credit Income Fund	Franklin Upper Tier Floating Rate Fund ³
(USD)	(USD)	(USD)	(USD)
39,092,495	212,186,294	15,863,595	19,412,435
—	—	—	—
39,092,495	212,186,294	15,863,595	19,412,435
1,406,231	5,391,755	659,280	63,389
6,910	74,767	8,618	130,074
—	—	32,477	—
1,413,141	5,466,522	700,375	193,463
9,392	467,734	93,497	—
3,123	226,719	20,053	27,363
2,887	37,676	1,528	1,273
31,157	75,622	33,270	—
9,652	23,879	11,550	—
4,122	3,165	4,580	—
—	107	—	—
—	29,493	37,588	—
—	116,241	—	—
23,395	129,444	39,370	—
83,728	1,110,080	241,436	28,636
(23,313)	(275,336)	(78,560)	(638)
60,415	834,744	162,876	27,998
1,352,726	4,631,778	537,499	165,465
(261,632)	(33,557,145)	(127,436)	(1,312,391)
200,220	695,538	197,306	186,013
—	—	14,382	—
—	—	9,012	—
—	—	(19,339)	—
—	528,415	159	—
(34,722)	(146,660)	43,230	34,427
1,256,592	(27,848,074)	654,813	(926,486)
(66,168)	7,530,402	37,041	2,367,488
(164,531)	(435,553)	(122,978)	(54,024)
—	—	2,130	—
—	—	(9,833)	—
—	—	(20,931)	—
—	(250,882)	(72,941)	—
12,811	(79)	136	—
(4,421)	—	—	—
1,034,283	(21,004,186)	467,437	1,386,978
1,917,644	18,345,018	838,470	—
(12,437,242)	(173,993,989)	(232,727)	(7,730,544)
(54,241)	(3,606,999)	(1,245)	(251,081)
(10,573,839)	(159,255,970)	604,498	(7,981,625)
(1,819,587)	(11,761,772)	(913,042)	—
(12,393,426)	(171,017,742)	(308,544)	(7,981,625)
27,733,352	20,164,366	16,022,488	12,817,788
33.27%	N/A	76.18%	N/A

Statistical Information

For the year ended October 31, 2020

	Total Expense Ratio October 31, 2020 (See note 20)	Shares Outstanding as at October 31, 2020	Net Asset Value per share as at October 31, 2020	Net Asset Value per share as at October 31, 2019	Net Asset Value per share as at October 31, 2018
Franklin Emerging Market Corporate Debt Fund – USD¹					
I (acc) EUR-H1 (hedged)	—	—	—	13.35	12.24
I (acc) USD	—	—	—	14.57	12.96
Y (acc) USD	—	—	—	10.10	—
Y (Mdis) EUR	—	—	—	10.41	9.58
Franklin Emerging Market Debt Opportunities II Fund - EUR					
I (Ydis) EUR	0.90%	137,278,856.172	7.95	8.71	8.71
X (Ydis) EUR	0.20%	429.142	9.13	9.99	10.01
Y (acc) AUD-H1 (hedged)	0.08%	14,492.682	10.14	10.26	—
Y (acc) USD-H1 (hedged)	0.08%	9,951.399	10.41	10.33	—
Franklin Emerging Market Investment Grade Debt Fund - USD					
I (acc) EUR	0.95%	743.080	15.29	15.39	13.61
I (acc) EUR-H1 (hedged)	0.95%	7,865.896	11.72	11.57	10.70
I (acc) USD	0.95%	500.029	13.23	12.75	11.45
Y (Mdis) USD	0.18%	2,817,207.165	9.80	9.83	9.22
Franklin Floating Rate II Fund – USD²					
A (acc) EUR-H1 (hedged)	0.97%	53,677.514	7.56	8.99	9.40
A (acc) USD	0.97%	473,594.088	11.64	13.59	13.77
A (Mdis) USD	0.95%	437,975.842	6.30	7.80	8.78
I (acc) EUR-H1 (hedged)	0.61%	69,670.749	7.83	9.27	9.67
I (acc) GBP-H1 (hedged)	0.58%	3,712.500	8.45	9.96	10.26
I (acc) USD	0.64%	200,605.222	12.13	14.10	14.25
I (Mdis) USD	0.60%	455,676.006	6.55	8.02	8.62
I (Qdis) EUR-H1 (hedged)	0.64%	47,492.216	6.35	8.04	8.91
I (Ydis) CHF-H1 (hedged)	0.58%	3,707.158	6.90	8.78	9.70
I (Ydis) EUR-H1 (hedged)	0.54%	3,120.691	7.09	8.98	9.88
I (Ydis) USD	0.54%	168.750	7.75	9.64	10.25
W (acc) EUR-H1 (hedged)	0.64%	82,097.563	8.79	10.44	10.87
W (acc) USD	0.67%	234,753.780	10.22	11.89	12.03
W (Qdis) USD	0.65%	227,670.230	7.37	9.13	9.81
Y (Mdis) USD	0.08%	211.998	7.62	9.28	9.93
Franklin Multi-Sector Credit Income Fund – USD					
I (acc) AUD-H1 (hedged)	0.80%	70,997.515	12.27	12.19	11.75
I (acc) CHF-H1 (hedged)	0.80%	48,617.500	10.96	10.91	10.79
I (acc) EUR-H1 (hedged)	0.80%	44,593.090	11.21	11.13	10.95
I (acc) GBP-H1 (hedged)	0.80%	32,931.570	11.70	11.60	11.31
I (acc) USD	0.80%	995,224.524	12.48	12.14	11.59
I (Qdis) EUR-H1 (hedged)	0.80%	44,593.090	8.74	9.00	9.43
I (Ydis) EUR	0.80%	445.931	9.59	10.35	10.29
I (Ydis) EUR-H1 (hedged)	0.80%	44,593.090	8.94	9.45	9.85
I (Ydis) GBP-H1 (hedged)	0.80%	32,931.570	9.31	9.80	10.10
I (Ydis) USD	0.80%	500.000	9.96	10.30	10.39
Franklin Upper Tier Floating Rate Fund - USD³					
I (acc) USD SP	0.19%	925.023	11.73	10.59	—
I (Qdis) CHF-H1 (hedged) SP	0.19%	256,127.944	9.09	8.40	—
I (Qdis) EUR-H1 (hedged) SP	0.19%	25,557.941	9.42	8.66	—
I (Qdis) USD SP	0.19%	952,001.888	10.45	9.43	—
Y (Qdis) USD SP	0.01%	3,554.593	11.12	10.02	—

¹This Fund was merged into FTIF-Franklin Emerging Market Corporate Debt Fund on May 29, 2020²This Fund was put into liquidation effective August 11, 2020³This Fund was put into liquidation effective January 17, 2019

Notes to Financial Statements

At October 31, 2020

Note 1 - The Company

Franklin Templeton Series II Funds ("FTSIIF" or the "Company") is an Undertaking for Collective Investment pursuant to Part II of the Luxembourg law of December 17, 2010 relating to Undertakings for Collective Investment, as amended, and qualifies as a société d'investissement à capital variable. The Company qualifies as an Alternative Investment Fund within the meaning of article 1(39) of the law of July 12, 2013. The Company was incorporated in Luxembourg on May 14, 2007, for an undetermined period of time. At the date of this report, it offers shares in 3 sub-funds of the Company (the "Fund(s)"). The Board of Directors of the Company may authorise the creation of additional Funds in the future with different investment objectives.

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.

Fund changes

The following changes to the investment policy of the following sub-funds occurred:

On May 29, 2020, Franklin Emerging Market Corporate Debt Fund was merged into FTIF-Franklin Emerging Market Corporate Debt Fund.

Franklin Floating Rate II Fund was put into the liquidation effective August 11, 2020.

Effective August 11, 2020, Investment management fee discontinued on the following share classes held within the Franklin Floating Rate II Fund:

- Franklin Floating Rate II Fund A (acc) USD
- Franklin Floating Rate II Fund A (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund A (Mdis) USD
- Franklin Floating Rate II Fund I (acc) USD
- Franklin Floating Rate II Fund I (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund I (acc) GBP-H1 (hedged)
- Franklin Floating Rate II Fund I (Mdis) USD
- Franklin Floating Rate II Fund I (Qdis) EUR-H1 (hedged)
- Franklin Floating Rate II Fund I (Ydis) USD
- Franklin Floating Rate II Fund I (Ydis) CHF-H1 (hedged)
- Franklin Floating Rate II Fund I (Ydis) EUR-H1 (hedged)
- Franklin Floating Rate II Fund W (acc) USD
- Franklin Floating Rate II Fund W (acc) EUR-H1 (hedged)
- Franklin Floating Rate II Fund W (Qdis) USD
- Franklin Floating Rate II Fund Y (Mdis) USD

- The investment policy of the Franklin Multi-Sector Credit Income Fund is amended to clarify that the sub-fund may invest up to 5% of its net assets in Mainland China through the Bond Connect or directly (also referred to as China Interbank Bond Market direct).

- The investment policy of the Franklin Emerging Market Investment Grade Debt Fund is amended to remove the 12 months' selling constraint affecting downgraded securities (representing less than 3% of the total assets) and to enable the Investment Manager to decide to keep holding some or all of the downgraded securities if it is in the best interest of the investors.

Note 2 - Significant accounting policies

(a) General

The financial statements are prepared in accordance with the regulations of the Grand Duchy of Luxembourg relating to investment funds under the going concern basis of accounting with the exception of the Franklin Floating Rate II Fund and the Franklin Upper Tier Floating Rate Fund which are both in liquidation and hence their financial statements have been prepared on a non-going concern basis.

Note 2 - Significant accounting policies (continued)

(b) Investment in securities

Corporate debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Senior secured corporate loans with floating or variable interest rates generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from loan dealers and other financial institutions, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services use independent market quotations from loan dealers or financial institutions and may incorporate valuation methodologies that consider multiple bond characteristics such as dealer quotes, issuer type, coupon, maturity, weighted average maturity, interest rate spreads and yield curves, cash flow and credit risk/quality analysis to determine current value.

Securities which are listed on a stock exchange or traded on any other organised market are valued at the last available price on such exchange or market which is normally the principal market for each security, and those securities dealt in on an over-the-counter market are valued in a manner as near as possible to that for quoted securities.

Securities not listed on any stock exchange nor traded on any organised market are valued at the last available price, or if such price is not representative of their fair value, they are valued prudently and in good faith on the basis of their reasonably foreseeable sales prices.

For mortgage-backed and other similar holdings with scheduled debt paydowns, the Company records estimates, based on its historical experience, for anticipated paydowns. Such estimates are recorded as a reduction or increase to the related holdings as disclosed on the Schedule of Investments and are included in the related unrealised appreciation/(depreciation) on investments shown on the "Statement of Operations and Changes in Net Assets".

Stocks, shares or units in open-ended investment funds are valued based on the last available net asset value determined according to the provisions of the particular investment fund's prospectus as provided by the administration agent of such investment fund.

The Management Company has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. In such circumstances, the price of such investment shall be adjusted in accordance with the procedures adopted, as determined by or under the direction of the Board of Directors.

During the accounting year under review, discounts and premiums were amortised to income over the period to maturity, or date sold, if earlier and gains and losses on investment securities sold were computed on the average cost basis for all Funds.

(c) Forward foreign exchange contracts

Forward foreign exchange contracts are valued at the forward rate applicable at the "Statement of Net Assets" date for the remaining period, until maturity. Gains or losses resulting from forward foreign exchange contracts are recognised in the "Statement of Operations and Changes in Net Assets"

(d) Financial future contracts

The Company may enter into financial future contracts to gain exposure to market changes. A financial future contract is an agreement between two parties to buy or sell a security for a set price on a future date. Required initial margin deposits of cash or securities are maintained by a broker in a segregated account. Subsequent payments, known as variation margin, are made or received by the Company depending on the fluctuations in the value of the underlying securities. Such variation margin is

Note 2 - Significant accounting policies (continued)

(d) Financial future contracts (continued)

accounted for as unrealised gains or losses until the contract is closed, at which time the gains or losses are reclassified to realised gains or losses. Realised and unrealised gains and losses are included in the "Statement of Operations and Changes in Net Assets".

(e) Interest rate swap contracts

Interest rate swap contracts are used to hedge the risk of changes in interest rates and are agreements between two parties to exchange cash flows based on a notional principal amount. The net interest received or paid on interest rate swap contract agreements is accrued daily as interest income/expense.

Interest rate swap contracts are marked to market daily based upon quotations from the market makers and the change, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets". When the swap contract is terminated early, the Fund records a realised gain or loss equal to the difference between the current net present value and the executed net present value. Any outstanding interest accrual is recorded as either a net receivable or net payable.

The risks of interest rate swap contracts include changes in market conditions and the possible inability of the counterparty to fulfil its obligations under the agreement.

(f) Total return swap contracts

A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains.

Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets".

When the swap contract is terminated early, the Fund records a realised gain or loss equal to the difference between the current net present value and the executed net present value. Any outstanding interest accrual is recorded as either a net receivable or net payable.

The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfil its obligations under the agreement.

(g) Credit default swaps

A credit default swap contract is a credit derivative transaction in which two parties enter into an agreement, whereby one party pays the other a fixed periodic payment for the specified life of the agreement. The other party makes no payments unless a credit event, relating to a predetermined reference asset, occurs. If such an event occurs, the party will then make a payment to the first party, and the swap will terminate. The value of the underlying securities shall be taken into account for the calculation of the investment and borrowing powers applicable to individual users.

Credit default swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets". Any payment received or paid to initiate a contract is recorded as a liability or asset in the "Statement of Net Assets". When the swap contract is terminated early, the Fund records a realised gain or loss for any payments received or paid.

The risks of credit default swap contracts include unfavourable changes in interest rates, an illiquid secondary market and the possible inability of the counterparty to fulfill its obligations under the agreement, which may be in excess of the amount reflected in the "Statement of Net Assets".

Note 2 - Significant accounting policies (continued)

(h) Cross currency swaps

A cross currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets".

When the swap contract is terminated early, the Fund records a realised gain or loss equal to the difference between the current net present value and the executed net present value. Any outstanding interest accrual is recorded as either a net receivable or net payable.

The risks of cross currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

(i) Foreign exchange transactions

Transactions expressed in currencies other than each Fund's currency are translated into each Fund's currency at the exchange rates applicable on the transaction dates.

Assets and liabilities denominated in currencies other than each Fund's currency are translated into each Fund's currency at the appropriate exchange rates ruling at the period-end. Gains and losses on foreign exchange transactions are recognised in the "Statement of Operations and Changes in Net Assets" in determining the results for the accounting year.

The reference currency of the Company as reflected in the financial statements is U.S. dollar. The principal exchange rates applied as at October 31, 2020 are as follows:

AUD	1.4227
CHF	0.9171
EUR	0.8587
GBP	0.7720
JPY	104.7050

The list of the currency abbreviations is available in note 22.

(j) Income

Interest income is accrued on a daily basis.

Where applicable, dividends are credited to income on their ex-dividend date.

(k) Charges and expenses

All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund.

(l) Formation expenses

Formation expenses associated with the launch of the new Funds are expensed as incurred.

(m) Senior floating rate interest

Senior secured corporate loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity.

Senior secured corporate loans in which Franklin Floating Rate II Fund or Franklin Multi-Sector Credit Income Fund invest are generally readily marketable, but may be subject to some restrictions on resale.

Note 2 - Significant accounting policies (continued)**(n) Combined financial statements**

The accounts of the Company are expressed in U.S. dollars and the accounts of the Funds are kept in the currency of each Fund. The combined "Statement of Net Assets" and the combined "Statement of Operations and Changes in Net Assets" are the sum of the "Statement of Net Assets" and the "Statement of Operations and Changes in Net Assets" of each Fund converted into the currency of the Company using exchange rates prevailing at year-end. The currency translation adjustment presented on the "Statement of Operations and Changes in Net Assets" is the sum of exchange differences arising on translation of each Fund "Net assets at the beginning of the year" into the currency of the Company using exchange rates prevailed at previous year and current accounting year-end reporting.

(o) Swing pricing

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 Managers to accommodate cash inflows or outflows.

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

The Fund operates a swing pricing mechanism which is applied when the total capital activity (aggregate of inflows and outflows) at a Fund level exceeds a pre-determined threshold, as determined as a percentage of the net assets of that Fund for the Valuation Day. Funds can operate a full swing pricing mechanism where the threshold is set to zero or a partial swing pricing mechanism where the threshold is greater than zero.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class in a Fund identically. Swing pricing does not address the specific circumstances of each individual investor transaction.

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

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

The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

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

The Management Company mandates authority to the Swing Pricing Oversight Committee to implement and on a periodic basis review, the operational decisions associated with swing pricing. This committee is responsible for decisions relating to swing pricing and the ongoing approval of swing factors which form the basis of pre-determined standing instructions.

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

In the case of a swing pricing event on the last day of the annual/semi-annual period, the net assets as disclosed in the "Statement of Net Assets", exclude the swing pricing adjustment, however, the net asset value per share as at annual/semiannual period end, as disclosed in the Statistical Information, would include the swing pricing adjustment.

Note 2 - Significant accounting policies (continued)

(o) Swing pricing (continued)

During the year ended October 31, 2020, swing pricing adjustments affected the net asset value per share of the following Funds:

- Franklin Floating Rate II Fund
- Franklin Emerging Market Investment Grade Debt Fund
- Franklin Emerging Market Corporate Debt Fund
- Franklin Emerging Market Debt Opportunities II Fund

Note 3 - Time deposits ("TDs")

As at October 31, 2020, the Company held no time deposits.

Note 4 - Forward foreign exchange contracts

As at October 31, 2020, the Company had entered into the following outstanding contracts:

Franklin Emerging Market Debt Opportunities II Fund

Purchases	Sales			Maturity Date	Unrealised profit/(loss) EUR
Forward foreign exchange contracts used for efficient portfolio management:					
EUR	10,786,873	JPY	1,350,000,000	9-Dec-20	(280,124)
EUR	705,145,155	USD	831,700,000	9-Dec-20	(8,406,516)
USD	21,500,000	EUR	18,379,107	9-Dec-20	66,681
					<u>(8,619,959)</u>
Forward foreign exchange contracts used for share class hedging:					
AUD	142,094	EUR	86,644	16-Nov-20	(902)
USD	101,601	EUR	86,123	16-Nov-20	1,093
					<u>191</u>
					<u>(8,619,768)</u>
The above contracts were opened with the below counterparties:					
Bank of America					28
Barclays					(1,628,261)
BNP Paribas					(22)
Citibank					(1,650,193)
Deutsche Bank					(1,561,929)
Goldman Sachs					(43)
HSBC					(21)
J.P. Morgan					2
Morgan Stanley					(1,827,414)
RBC					(1,952,052)
UBS					137
					<u>(8,619,768)</u>

Franklin Emerging Market Investment Grade Debt Fund

Purchases	Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:				
EUR	88,908	USD	104,619	10-Nov-20
				(1,060)
				(1,060)
The above contracts were opened with the below counterparties:				
Barclays				(33)
Citibank				(22)
Goldman Sachs				(22)
HSBC				(942)
J.P. Morgan				(20)
Toronto-Dominion				(21)
				(1,060)

Note 4 - Forward foreign exchange contracts (continued)

Franklin Floating Rate II Fund*

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	33,168	USD	36,156	10-Nov-20	17
EUR	2,591,854	USD	3,049,771	10-Nov-20	(30,836)
GBP	40,341	USD	52,112	10-Nov-20	147
USD	8,999	CHF	8,224	10-Nov-20	29
USD	759,473	EUR	646,287	10-Nov-20	6,692
USD	12,951	GBP	10,011	10-Nov-20	(17)
					(23,968)

The above contracts were opened with the below counterparties:

Bank of America	(6,642)
Barclays	(3,089)
BNP Paribas	7
Citibank	(1,555)
Credit Suisse	(1,369)
Goldman Sachs	(734)
HSBC	(1,671)
J.P. Morgan	(5,492)
Morgan Stanley	(3,428)
UBS	5
	(23,968)

*This Fund was put into liquidation effective August 11, 2020

Franklin Multi-Sector Credit Income Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for efficient portfolio management:					
USD	93,018	CHF	85,000	14-Dec-20	214
					214
Forward foreign exchange contracts used for share class hedging:					
AUD	840,668	USD	605,033	16-Nov-20	(14,089)
CHF	516,118	USD	567,228	16-Nov-20	(4,245)
EUR	1,242,422	USD	1,466,053	16-Nov-20	(18,718)
GBP	667,268	USD	870,991	16-Nov-20	(6,546)
					(43,598)
					(43,384)

The above contracts were opened with the below counterparties:

Bank of America	(3,501)
Barclays	(1,977)
BNP Paribas	(1,488)
Citibank	(2,370)
Deutsche Bank	(161)
Goldman Sachs	(2,673)
HSBC	(1,050)
J.P. Morgan	(25,037)
Morgan Stanley	(3,986)
Toronto-Dominion	(687)
UBS	(454)
	(43,384)

Note 4 - Forward foreign exchange contracts (continued)

Franklin Upper Tier Floating Rate Fund*

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	2,273,652	USD	2,498,795	16-Nov-20	(18,693)
EUR	235,094	USD	277,420	16-Nov-20	(3,552)
					(22,245)

The above contracts were opened with the below counterparties:

Bank of America	(3,271)
Barclays	(698)
BNP Paribas	(621)
Citibank	(3,077)
Goldman Sachs	(1,996)
HSBC	(3,767)
J.P. Morgan	(3,934)
Morgan Stanley	(3,384)
Toronto-Dominion	(1,497)
	(22,245)

*This Fund was put into liquidation effective January 17, 2019

Note 5 - Open positions on cross currency swap contracts

As at October 31, 2020, the Company had entered into the following outstanding contracts:

Franklin Multi-Sector Credit Income Fund

Description	Counterparty	Nominal amount	Maturity date	Trading currency	Unrealised profit/(loss) USD
Pay fixed 2.5 Receive floating LIBOR +2.87% 3 month	Citibank	232,400	4-May-21	USD	(821)
		200,000		EUR	

Note 6 - Open positions on credit default swap contracts

As at October 31, 2020, the Company had entered into the following outstanding contracts:

Franklin Multi-Sector Credit Income Fund

Nominal	Description	Interest paid/ received %	Counterparty	Buy/Sell Protection	Trading currency	Market Value USD	Unrealised profit/(loss) USD
20,000	BNP Paribas Bespoke Rodez2 5-7% Mezz Tranche, Dec. 2020	3.20%	BNP Paribas	Sell	USD	(467)	(467)
50,000	Citibank Bespoke Phoenix 5-7% Tranche, Dec. 2021	2.90%	Citibank	Sell	USD	(4,196)	(4,196)
50,000	Morgan Stanley Bespoke Pecan 5-10% Mezz Tranche CDX, Dec. 2021	4.10%	Morgan Stanley	Sell	USD	(13,208)	(13,208)
50,000	Morgan Stanley Bespoke Pecan 5-10% Mezz Tranche CDX, Dec. 2021	3.98%	Morgan Stanley	Sell	USD	(13,266)	(13,266)
						(31,137)	(31,137)

Note 7 - Open positions on total return swap contracts

As at October 31, 2020, the Company had entered into the following outstanding contracts:

Franklin Multi-Sector Credit Income Fund

Trading currency	Nominal amount	Fund receives Fund pays	Counterparty	Maturity date	Unrealised profit/(loss) USD
		Receive Markit iBoxx USD Liquid Leveraged Loans Total Return Index			
USD	100,000	Pay Spread of 0.227% on Notional	Morgan Stanley	21-Dec-20	(2,007)
					<u>(2,007)</u>

Note 8 - Investment management fees

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum (as detailed below) of each Fund's adjusted daily net assets during the period/year. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. The following percentages apply in respect of the following Funds as at October 31, 2020.

No management fee is payable by an investor on the acquisition of Class X and Class Y shares, instead a fee is paid to the Investment Manager or affiliates under a separate agreement.

	Class A	Class I	Class W
Franklin Emerging Market Corporate Debt Fund*	—	0.80%	0.80%
Franklin Emerging Market Debt Opportunities II Fund	—	0.70%	0.70%
Franklin Emerging Market Investment Grade Debt Fund	—	0.65%	0.65%
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***	—	0.40%	—

*Effective May 29, 2020, Franklin Emerging Market Corporate Debt Fund was merged into FTIF-Franklin Emerging Market Corporate Debt Fund.

**Effective August 11, 2020, this sub-fund's investment management fee discontinued.

***Effective August 1, 2019, this sub-fund's investment management fee discontinued.

Note 9 - Connected party transactions

Certain directors of the Company are or may also be officers and/or directors of the Management Company, i.e. Franklin Templeton International Services S.à r.l. or of the Investment Managers, among others, Franklin Advisers Inc., Franklin Templeton Institutional, LLC or Franklin Templeton Investment Management Limited. All transactions with connected parties were entered into in the ordinary course of business and under normal commercial terms.

The investment managers will be remunerated by the Management Company out of the investment management fee received from the Company, as more fully detailed in note 8 to the financial statements.

There are no connected brokers in Franklin Templeton, and no transactions were entered into with connected brokers during the year ended October 31, 2020.

The Company accrued fees in respect of Franklin Templeton International Services S.à r.l. as the Management Company and as the Principal Distributor of the Funds from November 1, 2019 to October 31, 2020.

Note 10 - Unfunded loan commitments

Franklin Multi-Sector Credit Income Fund may enter into certain credit agreements, all or a portion of which may be unfunded. It is obliged to fund these loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the Schedule of Investments.

Note 10 - Unfunded loan commitments (continued)

At October 31, 2020, unfunded commitments were as follows:

Borrower	Unfunded Commitment Cost USD	Unfunded Commitment Market value USD	Unrealised profit/(loss) USD
Fieldwood Energy LLC 9.75% 04/08/2021	7,002	7,255	253
Pathway Vet Alliance LLC 4% 31/03/2027	3,084	3,093	9
Total	10,086	10,348	262

Note 11 - Taxation

Under current laws and practice, 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. In addition, 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 liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum, such tax being paid quarterly, and calculated on the net asset value of each Fund at the end of each relevant quarter. This tax is not applicable for the portion of the assets of a Fund invested in other Undertakings for Collective Investment that have already been subject to such tax. Class I, X and Y shares may benefit from a reduced rate of 0.01% per annum if all shareholders of these share classes are institutional investors.

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin. All liabilities in respect of taxes payable on unrealised capital gains on investments are provided for as soon as there is a reasonable certainty that a liability will crystallise.

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

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 current laws.

Note 12 - Share classes

Class A(acc) Shares: Shares offered at the applicable net asset value, plus an entry charge of up to 6.50% 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. In addition, a maintenance charge of up to 0.50% per annum of the applicable average net asset value per share of the relevant Fund is deducted and paid to the Principal Distributor. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor. In relation to qualified investments of USD 1 million or more, the entry charge may be waived and a contingent deferred sales charge of up to 1.00% may apply if an investor sells shares within 18 months after each investment. No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares.

Class A(dis) Shares: Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class). All other terms and conditions are the same as those which apply for Class A(acc) shares.

Class I(acc) Shares: Shares offered to institutional investors as more fully described in the current Prospectus of the Company. No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares. Class I(acc) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced Investment Management fee (note 8).

Class I(dis) Shares: Shares offered to institutional investors as more fully described in the current prospectus of the Company. Purchases of Class I (dis) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced Investment Management fee (note 8). Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class).

Note 12 - Share classes (continued)

Class W(acc) Shares: No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares. Class W shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class W(acc) shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class W(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class W(dis) shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class X(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class X Shares are designed to accommodate an alternative charging structure whereby a fee covering the 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 may only be offered to Institutional Investors in certain limited circumstances, at the discretion of the Management Company or the Investment Manager and its affiliates, as more fully described in the current prospectus of the Company.

Class Y(acc) and Y(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class Y shares are designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration 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 may only be offered to Institutional Investors in certain limited circumstances, at the discretion of the Management Company and/or its affiliates, as more fully described in the current prospectus of the Company.

Alternative currency hedged share classes: Shareholders of the hedged share class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the costs of the relevant financial instruments. The gains/losses and the costs of the relevant financial instruments will accrue solely to the relevant hedged share class.

The above mentioned distributing share classes may have different frequencies: (Mdis) share classes distribute monthly, (Qdis) share classes distribute quarterly and (Ydis) share classes distribute annually.

Note 13 - Expense reimbursement

For the year ended October 31, 2020, the following expenses have been either reimbursed in the first instance by management company, Franklin Templeton International Services S.à r.l., or in the event that the expense exceeded the Administration fee, by the Funds' individual Investment Manager as detailed on page 7.

In the event that the expenses exceeded the Administration and Investment Management fees, they have been reimbursed by Franklin Templeton International Services S.à r.l.

Fund Name	Currency	Amount
Franklin Emerging Market Corporate Debt Fund	USD	12,821
Franklin Emerging Market Debt Opportunities II Fund	EUR	464,375
Franklin Emerging Market Investment Grade Debt Fund	USD	23,313
Franklin Floating Rate II Fund	USD	275,336
Franklin Multi-Sector Credit Income Fund	USD	78,560
Franklin Upper Tier Floating Rate Fund	USD	638

Note 14 - Statement of changes in the investment portfolio

A list, specifying for each Fund total purchases and sales transacted during the year under review, may be obtained, upon request, at the registered office of the Company.

Note 15 - Transaction costs

Transaction costs are costs incurred to acquire of financial assets or liabilities. They include fees and commissions paid to agents, brokers and dealers. For debt securities and derivatives, transaction costs are not separately identifiable from the purchase price of the security and therefore cannot be disclosed separately.

Note 16 - Equalisation

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 net investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed net 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.

Note 17 - Portfolio Turnover Ratio

The Portfolio Turnover Ratio ("PTR"), expressed as a percentage, is equal to the total of purchases and sales of securities netted against the total value of subscriptions and redemptions, over average net assets of the Fund for a year. It is effectively a measure of how frequently a Fund buys or sells securities.

Note 18 - Security lending

As at October 31, 2020, the Company was not involved in any securities lending programs.

Note 19 - Credit facilities

Effective February 7, 2020, the Company together with other European and U.S. registered investment funds managed by Franklin Templeton Investments (individually, Borrower; collectively, Borrowers), entered into a joint syndicated revolving senior unsecured credit facility totalling USD 2,000 million (Global Credit Facility) with a group of banks to provide a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, a Borrower shall, in addition to interest charged on any borrowings and other costs incurred by the Borrower, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee based upon the unused portion of the Global Credit Facility.

The "Global Line of Credit Committee" met and authorized a drawdown of USD 7 million and USD 2 million on March 18, 2020 and April 3, 2020 respectively to cover the expected overdraft on the Franklin Floating Rate II Fund as trades were settling to meet Fund redemptions. This USD 9 million drawdown was repaid in 2 instalments with the final payment being made on April 15, 2020. The interest paid by the Franklin Floating Rate II Fund on that drawdown was USD 10,914.88.

Note 20 - Total Expense Ratio

The Total Expense Ratio ("TER"), expressed as a percentage, represents how the total annualised expenses of each share class relate to the average net assets of each share class for the year ended October 31, 2020. The total expenses comprise the investment management fees, the administration and transfer agency fees, the custodian fees and other expenses as summarised in the "Statement of Operations and Changes in Net Assets".

Note 21 - Audited annual reports and unaudited semi-annual reports

The audited annual reports and unaudited semi-annual reports will be available on the local Franklin Templeton Investments website, www.franklintempleton.lu or may be obtained, free of charge, on request at the registered office of the 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.

Note 22 - Abbreviations

Countries

AGO	Angola	CYM	Cayman Islands	ISR	Israel	ROU	Romania
ARE	United Arab Emirates	CZE	Czech Republic	JAM	Jamaica	RUS	Russia
ARG	Argentina	DEU	Germany	JOR	Jordan	SLV	El Salvador
ARM	Armenia	DOM	Dominican Republic	KAZ	Kazakhstan	SP	Supranational
AUD	Australia	EGY	Egypt	KEN	Kenya	SRB	Serbia
AZE	Azerbaijan	ESP	Spain	LUX	Luxembourg	SUR	Suriname
	Bosnia and Herzegovina						
BIH	Herzegovina	ETH	Ethiopia	MEX	Mexico	THA	Thailand
BLR	Belarus	FRA	France	MKD	Macedonia	TTO	Trinidad and Tobago
BRL	Brazil	GEO	Georgia	MYS	Malaysia	TUN	Tunisia
CAN	Canada	GHA	Ghana	NGA	Nigeria	TUR	Turkey
CHL	Chile	HND	Honduras	PAN	Panama	UKR	Ukraine
CHN	China	IDN	Indonesia	PER	Peru	URY	Uruguay
CMR	Cameroon	IND	India	PHL	Philippines	USA	United States
COL	Colombia	IRL	Ireland	POL	Poland	ZAF	South Africa
CRI	Costa Rica	IRQ	Iraq	PRY	Paraguay		

Currencies

BYN	Belarusian Ruble	GEL	Georgian Lari	KZT	Kazakhstani Tenge	USD	US Dollar
CHF	Swiss Franc	GHS	Ghanaian Cedi	MXN	Mexican Peso	UYU	Uruguayan Peso
COP	Colombian Peso	IDR	Indonesian Rupiah	PEN	Peruvian Sol	ZAR	South African Rand
DOP	Dominican Peso	INR	Indian Rupee	PLN	Polish Zloty		
EGP	Egyptian Pound	JPY	Japanese Yen	RUB	Russian Ruble		
EUR	Euro	KES	Kenyan Shilling	TRY	Turkish Lira		

Note 23 - Other information

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel corona virus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Fund's performance.

Note 24 - Significant changes during the year

On May 18, 2020 Franklin Templeton International Services S.à r.l. appointed J.P. Morgan Bank Luxembourg S.A. as the Administrative Agent for the Franklin Templeton Series II Funds.

Note 25 - Subsequent events

There have been no subsequent events since the period end.

Schedule of Investments, October 31, 2020

Franklin Emerging Market Debt Opportunities II Fund

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	BONDS				
	Corporate Bonds				
13,600,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	16,042,185	1.47
16,564,740	Oilflow SPV 1 DAC, Reg. S 12% 01/13/2022	IRL	USD	14,152,996	1.30
12,900,000	Indika Energy Capital IV Pte. Ltd., Reg. S 8.25% 10/22/2025	IDN	USD	11,073,274	1.01
12,300,000	MHP Lux SA, Reg. S 6.95% 04/03/2026	UKR	USD	10,641,835	0.98
11,400,000	Russian Railways, Reg. S 5.7% 04/05/2022	RUS	USD	10,400,019	0.95
12,585,960	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	10,239,736	0.94
11,000,000	Braskem Idesa SAPI, Reg. S 7.45% 11/15/2029	MEX	USD	8,944,891	0.82
10,200,000	Alfa Bank AO, Reg. S 5.95% 04/15/2030	RUS	USD	8,667,635	0.80
9,325,000	Georgian Oil & Gas Corp. JSC, Reg. S 6.75% 04/26/2021	GEO	USD	8,109,531	0.74
8,350,000	Energo-Pro A/S, Reg. S 4% 12/07/2022	CZE	EUR	8,036,040	0.74
9,300,000	Georgia Capital JSC, Reg. S 6.125% 03/09/2024	GEO	USD	7,825,863	0.72
3,947,500,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	7,662,350	0.70
	Development Bank of the Republic of Belarus JSC, Reg. S 12% 05/15/2022	BLR	BYN	7,414,037	0.68
3,300,000,000	Development Bank of Kazakhstan JSC, Reg. S 9.5% 12/14/2020	KAZ	KZT	6,598,807	0.60
6,750,000	Sri Rejeki Isman Tbk. PT, Reg. S 7.25% 01/16/2025	IDN	USD	5,758,159	0.53
6,750,000	Medco Platinum Road Pte. Ltd., Reg. S 6.75% 01/30/2025	IDN	USD	5,638,838	0.52
5,650,000	IHS Netherlands Holdco BV, Reg. S 8% 09/18/2027	NGA	USD	4,960,609	0.45
5,357,000	Medco Oak Tree Pte. Ltd., Reg. S 7.375% 05/14/2026	IDN	USD	4,472,413	0.41
90,240,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	3,904,824	0.36
3,800,000	Eurotorg LLC, Reg. S 9% 10/22/2025	BLR	USD	3,312,519	0.30
9,200,000	O1 Properties Finance plc, Reg. S 8.25% 09/27/2021 ^s	RUS	USD	2,924,196	0.27
3,311,551	Saderea DAC, Reg. S 12.5% 11/30/2026	GHA	USD	2,896,825	0.26
3,000,000	Frigorifico Concepcion SA, Reg. S 10.25% 01/29/2025	PRY	USD	2,511,592	0.23
2,750,000	MTN Mauritius Investments Ltd., Reg. S 4.755% 11/11/2024	ZAF	USD	2,432,756	0.22
1,900,000	Georgian Railway JSC, Reg. S 7.75% 07/11/2022	GEO	USD	1,706,917	0.16
300,000	Cemex SAB de CV, Reg. S 5.7% 01/11/2025	MEX	USD	264,812	0.02
				176,593,659	16.18
	Government and Municipal Bonds				
805,200,000	South Africa Government Bond 7% 02/28/2031	ZAF	ZAR	34,803,889	3.19
1,450,464,025	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	32,381,991	2.97
659,600,000	Mexican Bonos 8.5% 05/31/2029	MEX	MXN	31,174,827	2.86
32,000,000	Russian Foreign Bond - Eurobond, Reg. S 4.875% 09/16/2023	RUS	USD	30,134,296	2.76
32,000,000	Brazil Government Bond 4.5% 05/30/2029	BRL	USD	29,453,547	2.70
30,937,500	Iraq Government Bond, Reg. S 5.8% 01/15/2028	IRQ	USD	22,979,927	2.11
21,619,000	Indonesia Government Bond 1.75% 04/24/2025	IDN	EUR	22,544,509	2.07
23,700,000	Colombia Government Bond 2.625% 03/15/2023	COL	USD	20,933,271	1.92
30,000,000	El Salvador Government Bond, Reg. S 7.65% 06/15/2035	SLV	USD	20,569,552	1.88
85,500,000	Poland Government Bond 2.5% 07/25/2026	POL	PLN	20,521,542	1.88
21,000,000	Cameroon Government Bond, Reg. S 9.5% 11/19/2025	CMR	USD	18,966,791	1.74
28,300,000	Angola Government Bond, Reg. S 8% 11/26/2029	AGO	USD	18,859,888	1.73
21,000,000	Ethiopia Government Bond, Reg. S 6.625% 12/11/2024	ETH	USD	18,212,262	1.67
21,000,000	Belarus Government Bond, Reg. S 6.875% 02/28/2023	BLR	USD	17,879,122	1.64
19,000,000	Turkey Government Bond 3.25% 03/23/2023	TUR	USD	15,433,430	1.41
15,250,000	Southern Gas Corridor CJSC, Reg. S 6.875% 03/24/2026	AZE	USD	14,959,915	1.37
14,000,000	Paraguay Government Bond, Reg. S 4.625% 01/25/2023	PRY	USD	12,736,562	1.17
12,700,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	12,498,639	1.14
10,200,000	Jamaica Government Bond 7.875% 07/28/2045	JAM	USD	11,473,468	1.05
13,100,000	Ghana Government Bond, Reg. S 8.125% 01/18/2026	GHA	USD	11,363,176	1.04
11,800,000	Jordan Government Bond, Reg. S 6.125% 01/29/2026	JOR	USD	10,681,744	0.98
11,750,000	Dominican Republic Government Bond, Reg. S 5.875% 04/18/2024	DOM	USD	10,669,436	0.98
11,500,000	Armenia Government Bond, Reg. S 7.15% 03/26/2025	ARM	USD	10,656,805	0.98
669,150,000	Dominican Republic Government Bond, Reg. S 8.9% 02/15/2023	DOM	DOP	9,944,353	0.91
	Government of Belarus Ministry of Finance, Reg. S 6.378% 02/24/2031	BLR	USD	9,923,736	0.91
11,300,000	Egypt Government Bond, Reg. S 7.625% 05/29/2032	EGY	USD	9,852,327	0.90
1,161,250,000	Kenya Infrastructure Bond 11% 09/15/2025	KEN	KES	9,413,666	0.86
8,390,000	Serbia Government Bond, Reg. S 3.125% 05/15/2027	SRB	EUR	9,142,038	0.84
9,800,000	Mexico Government Bond 3.75% 01/11/2028	MEX	USD	9,123,147	0.84
60,965,000	Ghana Government Bond 18.25% 07/25/2022	GHA	GHS	9,031,910	0.83

Franklin Emerging Market Debt Opportunities II Fund (continued)

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
559,000,000	Dominican Republic Government Bond, Reg. S 9.75% 06/05/2026	DOM	DOP	8,499,031	0.78
37,346,000,000	Empresa de Telecomunicaciones de Bogota, Reg. S 7% 01/17/2023	COL	COP	8,297,320	0.76
10,500,000	Costa Rica Government Bond, Reg. S 4.25% 01/26/2023	CRI	USD	8,227,074	0.75
	Banque Centrale de Tunisie International Bond, Reg. S				
8,570,000	6.375% 07/15/2026	TUN	EUR	7,336,400	0.67
7,400,000	Honduras Government Bond, Reg. S 7.5% 03/15/2024	HND	USD	7,021,295	0.65
9,500,000	Angola Government Bond, Reg. S 8.25% 05/09/2028	AGO	USD	6,440,398	0.59
6,764,000	Georgia Government Bond, Reg. S 6.875% 04/12/2021	GEO	USD	5,918,314	0.54
23,250,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028	COL	COP	5,904,563	0.54
6,300,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	5,896,040	0.54
9,212,000	Provincia de Neuquen Argentina, Reg. S 8.625% 05/12/2028	ARG	USD	5,675,434	0.52
12,300,000	Suriname Government International Bond, Reg. S 9.25% 10/26/2026	SUR	USD	5,650,438	0.52
5,600,000	Kazakhstan Government Bond, Reg. S 1.5% 09/30/2034	KAZ	EUR	5,507,600	0.51
5,250,000	Jordan Government Bond, Reg. S 5.85% 07/07/2030	JOR	USD	4,549,530	0.42
	Suriname Government International Bond, Reg. S				
9,100,000	12.875% 12/30/2023	SUR	USD	4,317,148	0.39
486,000,000	Kenya Infrastructure Bond 12.5% 01/10/2033	KEN	KES	4,130,762	0.38
457,400,000	Kenya Infrastructure Bond 12.5% 05/12/2025	KEN	KES	3,867,660	0.36
22,040,000	Ghana Government Bond 24.75% 07/19/2021	GHA	GHS	3,412,374	0.31
4,400,000	Angola Government Bond, Reg. S 9.5% 11/12/2025	AGO	USD	3,258,127	0.30
3,150,000	Paraguay Government Bond, Reg. S 4.95% 04/28/2031	PRY	USD	3,164,606	0.29
63,788,438	Mexican UdiBonos 4.5% 12/04/2025	MEX	MXN	2,971,207	0.27
2,625,000	North Macedonia Government Bond, Reg. S 3.675% 06/03/2026	MKD	EUR	2,861,079	0.26
3,000,000	Honduras Government Bond, Reg. S 5.625% 06/24/2030	HND	USD	2,852,911	0.26
111,950,000	Uruguay Government Bond 3.875% 07/02/2040	URY	UYU	2,574,642	0.23
2,925,000	Ghana Government Bond, Reg. S 8.95% 03/26/2051	GHA	USD	2,262,661	0.21
2,350,000	Ukraine Government Bond, Reg. S 0% 05/31/2040	UKR	USD	1,754,388	0.16
	Bosnia & Herzegovina Government Bond, Reg. S				
1,394,422	0.538% 12/20/2021	BIH	EUR	1,360,154	0.12
900,000	Honduras Government Bond, Reg. S 8.75% 12/16/2020	HND	USD	778,497	0.07
194,480	Province of Salta Argentina, Reg. S 9.5% 03/16/2022	ARG	USD	149,458	0.01
				640,958,877	58.74
	Supranational				
110,000,000	Asian Infrastructure Investment Bank (The), Reg. S 16% 09/14/2021	SP	TRY	10,987,710	1.01
185,000,000,000	Inter-American Development Bank, Reg. S 8.01% 12/11/2021	SP	IDR	10,947,497	1.00
	European Bank for Reconstruction & Development				
153,500,000,000	6.85% 06/21/2021	SP	IDR	9,145,993	0.84
6,750,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	6,097,778	0.56
5,200,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	4,804,397	0.44
68,000,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	4,264,100	0.39
16,000,000	International Finance Corp. 7.5% 10/29/2021	SP	GEL	4,247,202	0.39
	International Bank for Reconstruction & Development, Reg. S				
1,500,000,000	9% 02/26/2021	SP	KZT	2,977,686	0.27
25,000,000	Asian Development Bank 17.5% 10/04/2021	SP	TRY	2,549,091	0.23
25,000,000	African Development Bank 13.25% 02/26/2021	SP	TRY	2,528,481	0.23
				58,549,935	5.36
	TOTAL Bonds			876,102,471	80.28
	TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING			876,102,471	80.28
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	BONDS				
	Government and Municipal Bonds				
18,630,000	FHLB 0% 11/02/2020	USA	USD	15,996,909	1.47
14,191,000	Trinidad Petroleum Holdings Ltd., Reg. S 9.75% 06/15/2026	TTO	USD	13,737,707	1.26
31,125,000	Peru Government Bond, Reg. S 6.35% 08/12/2028	PER	PEN	9,037,282	0.83
1,480,000,000	Banque Centrale de Tunisie International Bond 4.2% 03/17/2031	TUN	JPY	8,120,618	0.75
97,900,000	Egypt Treasury Bill 0% 08/31/2021	EGY	EGP	4,842,707	0.44
89,000,000	Egypt Treasury Bill 0% 08/17/2021	EGY	EGP	4,410,872	0.41
76,500,000	Egypt Treasury Bill 0% 08/03/2021	EGY	EGP	3,819,688	0.35
51,100,000	Egypt Treasury Bill 0% 12/29/2020	EGY	EGP	2,755,112	0.25
390,000,000	Banque Centrale de Tunisie International Bond 4.3% 08/02/2030	TUN	JPY	2,170,148	0.20

Franklin Emerging Market Debt Opportunities II Fund (continued)

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
100,000,000	Banque Centrale de Tunisie International Bond 3.28% 08/09/2027	TUN	JPY	569,238	0.05
				65,460,281	6.01
	Corporate Bonds				
13,200,000	Akbank T.A.S., Reg. S 6.8% 02/06/2026	TUR	USD	11,010,179	1.01
10,976,000	Rio Oil Finance Trust Series 2018-1, Reg. S 8.2% 04/06/2028	BRL	USD	10,496,755	0.96
	Telecommunications Services of Trinidad & Tobago Ltd., Reg. S				
11,900,000	8.875% 10/18/2029	TTO	USD	10,179,783	0.93
16,300,000	Rutas 2 and 7 Finance Ltd., Reg. S 0% 09/30/2036	USA	USD	9,867,337	0.90
11,000,000	Fidelity Bank plc, Reg. S 10.5% 10/16/2022	NGA	USD	9,698,428	0.89
8,950,000	St Marys Cement, Inc. Canada, Reg. S 5.75% 01/28/2027	BRL	USD	8,636,066	0.79
10,000,000	Frigorifico Concepcion SA, Reg. S 10.25% 01/29/2025	PRY	USD	8,371,973	0.77
6,201,859	IIRSA Norte Finance Ltd., Reg. S 8.75% 05/30/2024	PER	USD	5,784,062	0.53
12,800,000	Petra Diamonds US Treasury plc, Reg. S 7.25% 05/01/2022 [§]	ZAF	USD	4,781,041	0.44
5,350,000	CITGO Petroleum Corp., Reg. S 7% 06/15/2025	USA	USD	4,269,411	0.39
13,261,077,217	Fideicomiso PA Costera, Reg. S 6.25% 01/15/2034	COL	COP	3,050,772	0.28
3,500,000	CSN Islands XI Corp., Reg. S 6.75% 01/28/2028	BRL	USD	2,963,219	0.27
2,681,840	Empresa Electrica Cochrane SpA, Reg. S 5.5% 05/14/2027	CHL	USD	2,328,706	0.21
2,400,000	Citgo Holding, Inc., Reg. S 9.25% 08/01/2024	USA	USD	1,736,219	0.16
				93,173,951	8.53
	TOTAL Bonds			158,634,232	14.54
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			158,634,232	14.54
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	WARRANT				
	Diversified Financial Services				
50,750	Federal Republic of Nigeria 11/15/2020**	NGA	USD	—	—
				—	—
	TOTAL WARRANT			—	—
	TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET			—	—
	TOTAL INVESTMENTS			1,034,736,703	94.82

§ These Bonds are currently in default

** These securities are submitted to a Fair Valuation

Schedule of Investments, October 31, 2020

Franklin Emerging Market Investment Grade Debt Fund

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	BONDS				
	Government and Municipal Bonds				
26,300,000	Mexican Bonos 8.5% 05/31/2029	MEX	MXN	1,447,624	5.22
47,879,395	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	1,244,864	4.49
800,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	916,908	3.31
800,000	Romania Government Bond, Reg. S 4.375% 08/22/2023	ROU	USD	872,708	3.15
500,000	Kazakhstan Government Bond, Reg. S 4.875% 10/14/2044	KAZ	USD	664,970	2.40
525,000	Ecopetrol SA 4.125% 01/16/2025	COL	USD	551,381	1.99
500,000	Uruguay Government Bond 4.5% 08/14/2024	URY	USD	549,323	1.98
475,000	Colombia Government Bond 3% 01/30/2030	COL	USD	485,391	1.75
1,600,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028	COL	COP	473,218	1.71
350,000	Panama Government Bond, 144A 3.75% 04/17/2026	PAN	USD	379,178	1.37
300,000	Autoridad del Canal de Panama, Reg. S 4.95% 07/29/2035	PAN	USD	376,666	1.36
1,000,000,000	Colombia Government Bond 9.85% 06/28/2027	COL	COP	335,455	1.21
250,000	Bank Mandiri Persero Tbk. PT, Reg. S 4.75% 05/13/2025	IDN	USD	275,591	0.99
19,000,000	Russian Federal Bond - OFZ 7% 08/16/2023	RUS	RUB	252,290	0.91
200,000	Indonesia Asahan Aluminium Persero PT, Reg. S 5.45% 05/15/2030	IDN	USD	227,938	0.82
	Empresa de Transporte de Pasajeros Metro SA, Reg. S 3.65% 05/07/2030	CHL	USD	219,475	0.79
200,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	217,985	0.79
200,000	Mexico Government Bond 3.6% 01/30/2025	MEX	USD	215,612	0.78
				9,706,577	35.02
	Supranational				
600,000	African Export-Import Bank (The), Reg. S 3.994% 09/21/2029	SP	USD	620,400	2.23
6,600,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	481,992	1.74
425,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	457,300	1.65
3,500,000	Asian Infrastructure Investment Bank (The), Reg. S 16% 09/14/2021	SP	TRY	407,155	1.47
2,700,000,000	Inter-American Development Bank, Reg. S 8.01% 12/11/2021	SP	IDR	186,073	0.67
	European Bank for Reconstruction & Development 6.85% 06/21/2021	SP	IDR	138,781	0.50
2,000,000,000	International Bank for Reconstruction & Development, Reg. S 9% 02/26/2021	SP	KZT	138,712	0.50
				2,430,413	8.76
	Corporate Bonds				
700,000	Southern Copper Corp. 5.25% 11/08/2042	PER	USD	887,279	3.20
650,000	TNB Global Ventures Capital Bhd., Reg. S 3.244% 10/19/2026	MYS	USD	699,832	2.52
650,000	Russian Railways, Reg. S 5.7% 04/05/2022	RUS	USD	690,589	2.49
600,000	CNAC HK Finbridge Co. Ltd., Reg. S 4.875% 03/14/2025	CHN	USD	662,220	2.39
575,000	China Overseas Finance Cayman VI Ltd., Reg. S 5.95% 05/08/2024	CHN	USD	657,878	2.37
550,000	Cencosud SA, Reg. S 4.375% 07/17/2027	CHL	USD	596,968	2.15
425,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	583,836	2.10
	Three Gorges Finance I Cayman Islands Ltd., Reg. S 2.3% 10/16/2024	CHN	USD	568,980	2.05
40,000,000	HDFC Bank Ltd., Reg. S 8.1% 03/22/2025	IND	INR	560,284	2.02
	International Container Terminal Services, Inc., Reg. S 4.75% 06/17/2030	PHL	USD	534,084	1.93
530,000	China Construction Bank Corp., Reg. S 2.45% 06/24/2030	CHN	USD	533,045	1.92
	Banco Inbursa SA Institucion De Banca Multiple Grupo Financiero Inbursa, Reg. S 4.375% 04/11/2027	MEX	USD	528,500	1.90
407,666	Lima Metro Line 2 Finance Ltd., Reg. S 5.875% 07/05/2034	PER	USD	494,218	1.78
459,738	SPARC EM SPC Panama Metro Line 2 SP, Reg. S 0% 12/05/2022	CYM	USD	447,674	1.61
130,000,000	Development Bank of Kazakhstan JSC, Reg. S 9.5% 12/14/2020	KAZ	KZT	302,741	1.09
259,772	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	246,134	0.89
200,000	Petronas Capital Ltd., Reg. S 3.5% 04/21/2030	MYS	USD	223,285	0.81
200,000	Bangkok Bank PCL, Reg. S 4.05% 03/19/2024	THA	USD	216,773	0.78
3,760,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	189,482	0.68
50,000,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	113,028	0.41
100,000	Suzano Austria GmbH 3.75% 01/15/2031	BRL	USD	103,085	0.37
				9,839,915	35.46

Franklin Emerging Market Investment Grade Debt Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TOTAL Bonds			21,976,905	79.24
	TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING			21,976,905	79.24
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	BONDS				
	Corporate Bonds				
550,000	Sociedad Quimica y Minera de Chile SA, Reg. S 4.375% 01/28/2025	CHL	USD	600,245	2.16
300,000	Colbun SA, Reg. S 3.95% 10/11/2027	CHL	USD	333,153	1.20
1,026,419,725	Fideicomiso PA Costera, Reg. S 6.25% 01/15/2034	COL	COP	275,000	0.99
250,000	Alpek SAB de CV, Reg. S 4.25% 09/18/2029	MEX	USD	256,873	0.93
200,000	Fideicomiso PA Costera, Reg. S 6.75% 01/15/2034	COL	USD	211,000	0.76
200,000	Colbun SA, Reg. S 3.15% 03/06/2030	CHL	USD	209,380	0.76
200,000	Credicorp Ltd., Reg. S 2.75% 06/17/2025	PER	USD	205,550	0.74
200,000	Kimberly-Clark de Mexico SAB de CV, Reg. S 2.431% 07/01/2031	MEX	USD	202,875	0.73
200,000	Braskem Netherlands Finance BV, Reg. S 4.5% 01/31/2030	BRL	USD	184,960	0.67
				2,479,036	8.94
	Government and Municipal Bonds				
1,870,000	FHLB 0% 11/02/2020	USA	USD	1,870,000	6.74
1,500,000	Peru Government Bond, Reg. S 6.35% 08/12/2028	PER	PEN	507,220	1.83
				2,377,220	8.57
	TOTAL Bonds			4,856,256	17.51
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			4,856,256	17.51
	TOTAL INVESTMENTS			26,833,161	96.75

Schedule of Investments, October 31, 2020

Franklin Floating Rate II Fund*

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	SENIOR FLOATING RATE INTEREST				
	Building Products				
1,403,846	Resideo Funding, Inc. 2.48% 10/25/2023	USA	USD	1,323,125	6.56
				1,323,125	6.56
	Forest Products				
3,092,128	Appvion Operations, Inc. 7% 06/12/2026	USA	USD	3,038,016	15.07
				3,038,016	15.07
	TOTAL SENIOR FLOATING RATE INTEREST			4,361,141	21.63
	SHARES				
	Oil, Gas & Consumable Fuels				
53,083	Samson Resources Co.	USA	USD	179,155	0.89
				179,155	0.89
	TOTAL SHARES			179,155	0.89
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			4,540,296	22.52
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	SENIOR FLOATING RATE INTEREST				
	Personal Products				
9,675,371	FGI Operating Co. LLC 10.148% 05/16/2022 [§] **	USA	USD	6,295,922	31.22
1,200,000	FGI Operating Co. LLC 9.5% 05/17/2021**	USA	USD	1,200,000	5.95
				7,495,922	37.17
	TOTAL SENIOR FLOATING RATE INTEREST			7,495,922	37.17
	SHARES				
	Aerospace & Defense				
294,867	Remington Outdoor Co., Inc.**	USA	USD	—	—
27,760	Remington Outdoor Co., Inc., Litigation Units**	USA	USD	—	—
				—	—
	Health Care Services				
1,912,103	Millennium Corporate Claim Trust, Escrow Account**	CHN	USD	—	—
1,912,103	Millennium Lender Claim Trust, Escrow Account**	IND	USD	—	—
				—	—
	Paper & Forest Products				
151,177	Appvion Operations, Inc.**	USA	USD	2,243,817	11.13
				2,243,817	11.13
	TOTAL SHARES			2,243,817	11.13
	TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET			9,739,739	48.30
	TOTAL INVESTMENTS			14,280,035	70.82

[§] These securities are currently in default

* This Fund was put into liquidation effective August 11, 2020

** These securities are submitted to a Fair Valuation

Schedule of Investments, October 31, 2020

Franklin Multi-Sector Credit Income Fund

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	SHARES				
	Energy Equipment & Services				
948	Weatherford International plc	USA	USD	1,981	0.01
				1,981	0.01
	TOTAL SHARES			1,981	0.01
	BONDS				
	Corporate Bonds				
200,000	State Grid Overseas Investment 2016 Ltd., Reg. S 3.5% 05/04/2027	CHN	USD	222,395	1.39
200,000	China Construction Bank Corp., Reg. S, FRN 4.25% 02/27/2029	CHN	USD	213,698	1.33
200,000	Russian Railways, Reg. S 5.7% 04/05/2022	RUS	USD	212,489	1.33
200,000	CNAC HK Finbridge Co. Ltd., Reg. S 4.625% 03/14/2023	CHN	USD	211,881	1.32
200,000	ICTSI Treasury BV, Reg. S 4.625% 01/16/2023	PHL	USD	210,203	1.31
200,000	Vertical US Newco, Inc., 144A 5.25% 07/15/2027	DEU	USD	206,215	1.29
	Development Bank of the Republic of Belarus JSC, Reg. S				
200,000	6.75% 05/02/2024	BLR	USD	191,656	1.20
200,000	Akbank T.A.S., Reg. S, FRN 6.797% 04/27/2028	TUR	USD	178,054	1.11
100,000	United Parcel Service, Inc. 5.3% 04/01/2050	USA	USD	143,969	0.90
100,000	Netflix, Inc. 3.625% 05/15/2027	USA	EUR	126,226	0.79
100,000	HCA, Inc. 5.375% 09/01/2026	USA	USD	112,563	0.70
100,000	OneMain Finance Corp. 6.625% 01/15/2028	USA	USD	109,530	0.68
100,000	Freeport-McMoRan, Inc. 4.55% 11/14/2024	USA	USD	107,687	0.67
100,000	Cenovus Energy, Inc. 5.375% 07/15/2025	CAN	USD	105,479	0.66
100,000	United Rentals North America, Inc. 5.875% 09/15/2026	USA	USD	105,349	0.66
100,000	Clearway Energy Operating LLC 5.75% 10/15/2025	USA	USD	104,937	0.66
	Teva Pharmaceutical Finance Netherlands IV BV, Reg. S				
100,000	0.5% 07/28/2022	ISR	CHF	104,891	0.65
100,000	MPT Operating Partnership LP, REIT 5% 10/15/2027	USA	USD	104,823	0.65
100,000	Community Health Systems, Inc. 6.25% 03/31/2023	USA	USD	99,250	0.62
100,000	Occidental Petroleum Corp. 8.875% 07/15/2030	USA	USD	98,063	0.61
100,000	Crestwood Midstream Partners LP 6.25% 04/01/2023	USA	USD	97,118	0.61
88,000	Community Health Systems, Inc. 6.875% 02/01/2022	USA	USD	79,915	0.50
50,000	EOG Resources, Inc. 4.375% 04/15/2030	USA	USD	58,859	0.37
				3,205,250	20.01
	Government and Municipal Bonds				
200,000	US Treasury 3.125% 11/15/2028	USA	USD	237,328	1.48
200,000	Electricite de France SA, FRN, 144A 5.25% Perpetual	FRA	USD	207,418	1.29
				444,746	2.77
	Supranational				
200,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	215,200	1.35
200,000	African Export-Import Bank (The), Reg. S 4.125% 06/20/2024	SP	USD	210,334	1.31
				425,534	2.66
	TOTAL Bonds			4,075,530	25.44
	TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
				4,077,511	25.45
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	SENIOR FLOATING RATE INTEREST				
	Advertising				
29,924	Clear Channel Outdoor Holdings, Inc. 3.714% 08/21/2026	USA	USD	27,362	0.17
				27,362	0.17
	Aerospace & Defense				
23,001	Dynasty Acquisition Co., Inc. 3.808% 04/06/2026	USA	USD	20,665	0.13
12,366	Dynasty Acquisition Co., Inc. 3.808% 04/06/2026	USA	USD	11,110	0.07
				31,775	0.20

Franklin Multi-Sector Credit Income Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Airlines					
91,497	Allegiant Travel Co. 3.254% 02/05/2024	USA	USD	86,617	0.54
19,850	Kestrel Bidco, Inc. 4% 12/11/2026	CAN	USD	17,578	0.11
13,796	SkyMiles IP Ltd. 4.75% 10/20/2027	USA	USD	13,770	0.09
				117,965	0.74
Alternative Carriers					
49,875	Zayo Group Holdings, Inc. 3.178% 03/09/2027	USA	USD	48,162	0.30
				48,162	0.30
Apparel, Accessories & Luxury Goods					
19,491	Champ Acquisition Corp. 5.72% 12/19/2025	USA	USD	18,392	0.12
				18,392	0.12
Application Software					
79,874	Blackboard, Inc. 7% 06/30/2024	USA	USD	77,453	0.48
19,898	Ceridian HCM Holding, Inc. 2.598% 04/30/2025	USA	USD	19,298	0.12
13,029	Barracuda Networks, Inc. 4.148% 02/12/2025	USA	USD	12,834	0.08
				109,585	0.68
Auto Parts & Equipment					
128,375	Adient US LLC 4.463% 05/06/2024	USA	USD	126,834	0.79
19,492	Clarios Global LP 3.648% 04/30/2026	CAN	USD	18,985	0.12
				145,819	0.91
Automobile Manufacturers					
88,066	Thor Industries, Inc. 3.938% 02/01/2026	USA	USD	87,626	0.55
				87,626	0.55
Automotive Retail					
59,617	First Brands Group LLC 8.5% 02/02/2024	USA	USD	59,319	0.37
52,796	Wand Newco 3, Inc. 3.147% 02/05/2026	USA	USD	50,965	0.32
				110,284	0.69
Broadcasting					
146,947	Sinclair Television Group, Inc. 2.403% 01/03/2024	USA	USD	142,853	0.89
82,049	Gray Television, Inc. 2.399% 02/07/2024	USA	USD	80,211	0.50
49,752	Univision Communications, Inc. 4.75% 03/15/2026	USA	USD	48,594	0.30
7,151	Gray Television, Inc. 2.651% 01/02/2026	USA	USD	6,980	0.04
				278,638	1.73
Cable & Satellite					
44,999	CSC Holdings LLC 2.425% 07/17/2025	USA	USD	43,565	0.27
6,755	Radiate Holdco LLC 4.25% 09/25/2026	USA	USD	6,653	0.04
3,042	Virgin Media Bristol LLC 3.398% 01/31/2029	USA	USD	2,989	0.02
				53,207	0.33
Casinos & Gaming					
39,592	Caesars Resort Collection LLC 2.928% 12/23/2024	USA	USD	37,233	0.23
33,433	Aristocrat Leisure Ltd. 2.021% 10/19/2024	AUD	USD	32,631	0.21
				69,864	0.44
Commodity Chemicals					
25,968	Cyanco Intermediate 2 Corp. 3.678% 03/16/2025	USA	USD	25,534	0.16
				25,534	0.16
Communications Equipment					
55,473	Commscope, Inc. 3.4% 04/06/2026	USA	USD	53,719	0.34
				53,719	0.34
Construction & Engineering					
29,671	Ventia Midco Pty. Ltd. 5% 05/21/2026	AUD	USD	29,300	0.18
				29,300	0.18
Construction Machinery & Heavy Trucks					
79,212	Navistar, Inc. 3.69% 11/06/2024	USA	USD	78,638	0.49
				78,638	0.49
Environmental & Facilities Services					
16,743	Harsco Corp. 3.25% 12/06/2024	USA	USD	16,694	0.10
				16,694	0.10

Franklin Multi-Sector Credit Income Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Health Care Technology					
89,053	Iqvia, Inc. 1.9% 01/17/2025	USA	USD	87,873	0.55
				87,873	0.55
Household Products					
29,847	Coty, Inc. 2.377% 04/07/2025	USA	USD	26,273	0.16
				26,273	0.16
Industrial Machinery					
32,976	Altra Industrial Motion Corp. 2.15% 09/26/2025	USA	USD	32,414	0.20
				32,414	0.20
Insurance Brokers					
39,695	Alliant Holdings Intermediate LLC 2.928% 05/09/2025	USA	USD	38,315	0.24
1,603	Alliant Holdings Intermediate LLC 3.898% 10/08/2027	USA	USD	1,590	0.01
				39,905	0.25
Integrated Telecommunication Services					
38,108	Global Tel*Link Corp. 4.4% 12/31/2100	USA	USD	33,250	0.21
29,544	Aventiv Technologies LLC 5.5% 11/01/2024	USA	USD	24,881	0.16
				58,131	0.37
Internet Services & Infrastructure					
129,027	TIBCO Software, Inc. 3.93% 06/30/2026	USA	USD	125,478	0.78
15,187	LegalZoom.com, Inc. 4.65% 11/21/2024	USA	USD	14,978	0.09
				140,456	0.87
Investment Banking & Brokerage					
115,125	Russell Investments US Institutional Holdco, Inc. 3.75% 06/01/2023	USA	USD	114,430	0.71
				114,430	0.71
Leisure Products					
9,625	Playtika Holding Corp. 7.072% 12/10/2024	USA	USD	9,650	0.06
				9,650	0.06
Life & Health Insurance					
49,775	AssuredPartners, Inc. 3.678% 02/12/2027	USA	USD	48,135	0.30
				48,135	0.30
Managed Health Care					
24,013	Phoenix Guarantor, Inc. 3.399% 03/05/2026	USA	USD	23,297	0.15
				23,297	0.15
Metal & Glass Containers					
49,769	BWay Holding Co. 3.52% 04/03/2024	USA	USD	46,658	0.29
				46,658	0.29
Movies & Entertainment					
43,449	Banijay Entertainment SAS 3.912% 03/04/2025	FRA	USD	42,254	0.26
				42,254	0.26
Office Services & Supplies					
24,375	Pitney Bowes, Inc. 5.653% 01/07/2025	USA	USD	24,098	0.15
				24,098	0.15
Oil & Gas Exploration & Production					
67,277	Fieldwood Energy LLC 5.398% 04/11/2022 ⁵	USA	USD	14,801	0.09
802	Fieldwood Energy LLC 9.75% 08/04/2021	USA	USD	806	0.01
				15,607	0.10
Other Diversified Financial Services					
64,705	Milano Acquisition Corp. 4.75% 10/01/2027	USA	USD	63,789	0.40
39,900	First Eagle Holdings, Inc. 2.72% 02/01/2027	USA	USD	38,855	0.24
8,015	Jefferies Finance LLC 3% 09/30/2027	USA	USD	7,945	0.05
				110,589	0.69
Packaged Foods & Meats					
55,164	JBS USA Lux SA 3.072% 05/01/2026	LUX	USD	53,971	0.34
44,032	B&G Foods, Inc. 2.678% 10/10/2026	USA	USD	43,861	0.27
				97,832	0.61

Franklin Multi-Sector Credit Income Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Paper Packaging					
49,623	Berry Global, Inc. 2.188% 07/01/2026	USA	USD	48,116	0.30
				48,116	0.30
Personal Products					
22,641	Knowlton Development Corp., Inc. 3.897% 12/22/2025	CAN	USD	22,189	0.14
				22,189	0.14
Pharmaceuticals					
72,000	Bausch Health Cos., Inc. 2.926% 11/27/2025	USA	USD	70,485	0.44
61,470	Grifols Worldwide Operations Ltd. 2.098% 11/15/2027	ESP	USD	60,060	0.38
46,089	Bausch Health Cos., Inc. 3.176% 06/02/2025	USA	USD	45,095	0.28
20,000	Brightspring Health Services 3.898% 03/05/2026	USA	USD	19,679	0.12
7,255	eResearchTechnology, Inc. 5.5% 02/04/2027	USA	USD	7,223	0.05
				202,542	1.27
Property & Casualty Insurance					
39,501	Asurion LLC 3.178% 11/03/2023	USA	USD	38,835	0.24
				38,835	0.24
Real Estate Services					
29,850	Cushman & Wakefield U.S. Borrower LLC 2.928% 08/21/2025	USA	USD	28,656	0.18
				28,656	0.18
Security & Alarm Services					
19,900	Prime Security Services Borrower LLC 4.25% 09/23/2026	USA	USD	19,677	0.12
				19,677	0.12
Semiconductors					
40,172	ON Semiconductor Corp. 2.178% 09/19/2026	USA	USD	39,383	0.25
				39,383	0.25
Specialized Consumer Services					
34,023	Avis Budget Car Rental LLC 2.403% 08/06/2027	USA	USD	30,812	0.19
				30,812	0.19
Specialized Finance					
69,924	Verscend Holding Corp. 4.647% 08/27/2025	USA	USD	68,799	0.43
50,000	Mitchell International, Inc. 4.75% 01/21/2021	USA	USD	48,600	0.30
38,640	Pathway Vet Alliance LLC 3.924% 03/31/2027	USA	USD	37,867	0.24
31,575	Vertical Midco GmbH 4.57% 06/30/2027	USA	USD	31,161	0.19
14,009	Ultimate Software Group, Inc. (The) 4.75% 05/04/2026	USA	USD	13,952	0.09
10,863	Illuminate Buyer LLC 4.147% 06/30/2027	USA	USD	10,706	0.07
6,686	JetBlue Airways Corp. 6.25% 06/17/2024	USA	USD	6,668	0.04
5,222	Caesars Resort Collection LLC 4.647% 07/21/2025	USA	USD	5,070	0.03
3,595	CNT Holding I Corp. 3.898% 10/16/2027	USA	USD	3,560	0.02
				226,383	1.41
Specialty Stores					
50,000	Harbor Freight Tools USA, Inc. 4% 10/19/2027	USA	USD	49,372	0.31
29,744	Bass Pro Group LLC 5.75% 09/25/2024	USA	USD	29,712	0.19
9,683	Staples, Inc. 6.016% 04/16/2026	USA	USD	8,927	0.06
				88,011	0.56
Systems Software					
73,949	LogMeIn, Inc. 4.888% 08/31/2027	USA	USD	71,823	0.45
69,798	athenahealth, Inc. 5.284% 02/05/2026	USA	USD	68,489	0.43
69,822	Quest Software US Holdings, Inc. 4.511% 05/16/2025	USA	USD	67,487	0.42
37,406	Surf Holdings SARL 3.75% 01/15/2027	LUX	USD	36,312	0.22
35,862	Epicor Software Corp. 5.25% 07/30/2027	USA	USD	35,777	0.22
29,850	DCert Buyer, Inc. 4.178% 10/16/2026	USA	USD	29,337	0.18
20,000	Veritas US, Inc. 6.5% 09/01/2025	USA	USD	19,622	0.12
19,900	Navicure, Inc. 4.15% 10/22/2026	USA	USD	19,460	0.12
10,719	Hyland Software, Inc. 4.25% 07/01/2024	USA	USD	10,591	0.07
10,784	Perforce Software, Inc. 3.9% 07/01/2026	USA	USD	10,535	0.07
9,678	Greeneden U.S. Holdings I LLC 4.148% 10/08/2027	USA	USD	9,542	0.06
				378,975	2.36
Technology Hardware, Storage & Peripherals					
22,976	Cardtronics USA, Inc. 5% 06/29/2027	USA	USD	23,004	0.14
				23,004	0.14

Franklin Multi-Sector Credit Income Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Trucking					
24,067	Kenan Advantage Group Holdings Corp. 4% 07/29/2022	USA	USD	23,299	0.15
5,723	Kenan Advantage Group Holdings Corp. 4% 07/29/2022	USA	USD	5,540	0.04
				28,839	0.19
	TOTAL SENIOR FLOATING RATE INTEREST SHARES			3,395,588	21.20
Oil & Gas Exploration & Production					
462	Birch Permian Holdings, Inc.	USA	USD	2,310	0.01
				2,310	0.01
Specialty Retail					
2,215	Party City Holdings, Inc.	USA	USD	4,407	0.03
				4,407	0.03
	TOTAL SHARES			6,717	0.04
BONDS					
Corporate Bonds					
200,000	Colbun SA, Reg. S 3.15% 03/06/2030	CHL	USD	209,380	1.31
200,000	International Game Technology plc, 144A 5.25% 01/15/2029	USA	USD	198,321	1.24
200,000	Braskem Netherlands Finance BV, Reg. S 4.5% 01/31/2030	BRL	USD	184,960	1.15
100,000	Exelon Corp. 4.05% 04/15/2030	USA	USD	115,798	0.72
100,000	Flex Ltd. 4.875% 05/12/2030	USA	USD	115,755	0.72
100,000	T-Mobile USA, Inc., 144A 3.875% 04/15/2030	USA	USD	112,461	0.70
100,000	Fox Corp. 3.5% 04/08/2030	USA	USD	112,021	0.70
100,000	Sabine Pass Liquefaction LLC, 144A 4.5% 05/15/2030	USA	USD	111,912	0.70
100,000	Adient Global Holdings Ltd., 144A 3.5% 08/15/2024	USA	EUR	109,137	0.68
100,000	Hanesbrands, Inc., 144A 4.875% 05/15/2026	USA	USD	108,278	0.68
100,000	WESCO Distribution, Inc., 144A 7.125% 06/15/2025	USA	USD	107,883	0.67
100,000	Spectrum Brands, Inc., 144A 5.5% 07/15/2030	USA	USD	107,188	0.67
100,000	FMG Resources August 2006 Pty. Ltd., 144A 5.125% 05/15/2024	AUD	USD	107,176	0.67
100,000	Stars Group Holdings BV, 144A 7% 07/15/2026	CAN	USD	105,900	0.66
100,000	Centene Corp., 144A 5.375% 06/01/2026	USA	USD	105,346	0.66
100,000	Crown Americas LLC 4.75% 02/01/2026	USA	USD	104,106	0.65
100,000	Tennant Co. 5.625% 05/01/2025	USA	USD	103,950	0.65
100,000	H&E Equipment Services, Inc. 5.625% 09/01/2025	USA	USD	103,875	0.65
100,000	CommScope, Inc., 144A 6% 03/01/2026	USA	USD	103,868	0.65
100,000	Navistar International Corp., 144A 6.625% 11/01/2025	USA	USD	103,520	0.65
100,000	Ardagh Packaging Finance plc, 144A 6% 02/15/2025	USA	USD	103,475	0.65
100,000	Cheniere Energy, Inc., 144A 4.625% 10/15/2028	USA	USD	103,375	0.65
100,000	Charter Communications Operating LLC 2.8% 04/01/2031	USA	USD	103,280	0.65
100,000	Calpine Corp., 144A 5.125% 03/15/2028	USA	USD	103,252	0.64
100,000	Bausch Health Cos., Inc., 144A 6.125% 04/15/2025	USA	USD	102,900	0.64
100,000	CCO Holdings LLC, 144A 5.375% 05/01/2025	USA	USD	102,825	0.64
100,000	ON Semiconductor Corp., 144A 3.875% 09/01/2028	USA	USD	101,875	0.64
100,000	Reynolds Group Issuer, Inc., 144A 4% 10/15/2027	USA	USD	101,625	0.63
100,000	Tempo Acquisition LLC, 144A 6.75% 06/01/2025	USA	USD	101,600	0.63
100,000	Univision Communications, Inc., 144A 6.625% 06/01/2027	USA	USD	101,313	0.63
100,000	Energizer Holdings, Inc., 144A 4.375% 03/31/2029	USA	USD	101,100	0.63
100,000	Allison Transmission, Inc., 144A 5% 10/01/2024	USA	USD	101,020	0.63
100,000	Nexstar Broadcasting, Inc., 144A 4.75% 11/01/2028	USA	USD	100,937	0.63
100,000	DISH DBS Corp. 5% 03/15/2023	USA	USD	100,500	0.63
100,000	Talen Energy Supply LLC, 144A 7.25% 05/15/2027	USA	USD	100,375	0.63
100,000	Plastipak Holdings, Inc., 144A 6.25% 10/15/2025	USA	USD	100,313	0.63
100,000	DAE Funding LLC, 144A 5% 08/01/2024	ARE	USD	100,187	0.62
100,000	CDW LLC 3.25% 02/15/2029	USA	USD	100,000	0.62
100,000	Beacon Roofing Supply, Inc., 144A 4.875% 11/01/2025	USA	USD	98,281	0.61
100,000	Park Intermediate Holdings LLC, 144A 5.875% 10/01/2028	USA	USD	98,187	0.61
100,000	Mauser Packaging Solutions Holding Co., 144A 7.25% 04/15/2025	USA	USD	96,595	0.60
100,000	Sinclair Television Group, Inc., 144A 5.5% 03/01/2030	USA	USD	94,179	0.59
100,000	Wynn Las Vegas LLC, 144A 5.25% 05/15/2027	USA	USD	92,643	0.58
100,000	Golden Nugget, Inc., 144A 6.75% 10/15/2024	USA	USD	84,802	0.53
86,248	Martin Midstream Partners LP, 144A 11.5% 02/28/2025	USA	USD	78,701	0.49
40,000	Amentum Government Services Holdings LLC 0% 01/31/2027	USA	USD	38,542	0.24
18,992	Martin Midstream Partners LP, 144A 10% 02/29/2024	USA	USD	19,229	0.12
27,000	Weatherford International Ltd., 144A 11% 12/01/2024	USA	USD	16,042	0.10

Franklin Multi-Sector Credit Income Fund (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
21,765	Party City Holdings, Inc., 144A 5.75% 07/15/2025	USA	USD	15,344	0.10
11,765	Anagram International, Inc., 144A 5% 08/15/2026	USA	USD	9,941	0.06
10,000	Highline Aftermarket Acquisition LLC 0% 10/27/2027	USA	USD	9,788	0.06
8,000	Reynolds Group Issuer, Inc., 144A 5.125% 07/15/2023	USA	USD	8,104	0.05
				5,021,165	31.34
Government and Municipal Bonds					
795,000	FHLB 0% 11/02/2020	USA	USD	795,000	4.96
				795,000	4.96
Asset-Backed Securities					
250,000	FHLMC Structured Agency Credit Risk Debt Notes, FRN 'M2' 2.649% 03/25/2030	USA	USD	253,820	1.58
226,131	FHLMC Structured Agency Credit Risk Debt Notes, FRN 'M3' 3.449% 10/25/2027	USA	USD	233,688	1.46
116,011	FHLMC Structured Agency Credit Risk Debt Notes, FRN 'M3' 4.149% 08/25/2024	USA	USD	117,348	0.73
98,238	FHLMC Structured Agency Credit Risk Debt Notes, FRN 'M3' 4.699% 10/25/2024	USA	USD	100,180	0.63
105,903	FNMA, FRN '1M2' 3.149% 07/25/2024	USA	USD	94,333	0.59
72,968	FNMA, FRN '1M2' 2.749% 05/25/2024	USA	USD	64,556	0.40
54,819	FNMA, FRN '1M2' 4.149% 05/25/2025	USA	USD	55,437	0.35
55,059	FNMA, FRN '1M2' 2.349% 01/25/2030	USA	USD	54,604	0.34
44,264	FNMA, FRN '1M2' 5.149% 07/25/2025	USA	USD	45,235	0.28
16,733	FHLMC Structured Agency Credit Risk Debt Notes, FRN 'M2' 2.349% 02/25/2024	USA	USD	16,754	0.11
8,680	FNMA, FRN '2M2' 2.999% 11/25/2029	USA	USD	8,712	0.05
5,223	FNMA, FRN '2M2' 5.149% 07/25/2025	USA	USD	5,360	0.03
				1,050,027	6.55
TOTAL Bonds				6,866,192	42.85
TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				10,268,497	64.09
TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET					
SHARES					
Aerospace & Defense					
9,680	Remington Outdoor Co., Inc.**	USA	USD	—	—
911	Remington Outdoor Co., Inc., Litigation Units**	USA	USD	—	—
TOTAL SHARES				—	—
TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				—	—
UNITS OF AUTHORISED UCITS OR OTHER COLLECTIVE INVESTMENT UNDERTAKINGS					
COLLECTIVE INVESTMENT SCHEME - UCITS					
Other Diversified Financial Services					
152,036	FTIF Franklin Emerging Market Corporate Debt Fund, Class Y (acc) USD	LUX	USD	1,612,284	10.06
TOTAL COLLECTIVE INVESTMENT SCHEME - UCITS				1,612,284	10.06
TOTAL UNITS OF AUTHORISED UCITS OR OTHER COLLECTIVE INVESTMENT UNDERTAKINGS				1,612,284	10.06
TOTAL INVESTMENTS				15,958,292	99.60

§ These securities are currently in default

** These securities are submitted to a Fair Valuation

Schedule of Investments, October 31, 2020

Franklin Upper Tier Floating Rate Fund*

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	SHARES				
	Paper & Forest Products				
757,301	Appvion Operations, Inc.**	USA	USD	11,240,100	87.69
				11,240,100	87.69
	TOTAL SHARES			11,240,100	87.69
	TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
				11,240,100	87.69
	TOTAL INVESTMENTS			11,240,100	87.69

*This Fund was put into liquidation effective January 17, 2019

** These securities are submitted to a Fair Valuation

Additional Information - Unaudited

Report from the Alternative Investment Fund Manager - Unaudited

The purpose of this section is to provide supplemental information to shareholders in the context of the Alternative Investment Fund Managers Directive ("AIFMD").

Risk profile / Risk management systems

The potential nature of the key risks to which the Funds could be exposed as a result of the financial instruments held, are described in detail within the Prospectus of the Funds. The purpose of this section is to provide additional information about risk mitigation and the sensitivity of the Funds to certain risks.

The AIFM of the Company has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the AIF. Regular reporting is prepared and reviewed by the AIFM's Senior Management and the Board of FTSIIF SICAV is informed regularly about the risk profile, the risk measures monitored.

For each relevant risk area, risk limits which take into account the objectives, strategy and risk profile of the AIF are set by the AIFM. These limits are monitored regularly, as required by the nature of the risk area, and the sensitivity of the portfolio to key risks is undertaken periodically, as appropriate, to ascertain the impact of changes in key variables to the AIF. For the detailed risks the Funds could be exposed to please refer to the investment policy as disclosed in the Funds' prospectus.

Amongst other measures regularly considered by the Investment Manager, the AIFM is assessing and monitoring market risk through relative Value at Risk (VaR) calculated using the Monte Carlo approach. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1-month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The AIFM uses the relative VaR methodology which is the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the AIF's strategy and likely risk exposures.

No risk limits have been exceeded or were likely to be exceeded during the year.

The Franklin Floating Rate II Fund was put in liquidation on August 11, 2020. Monitoring of relative VaR for the account was consequently discontinued from that date.

Liquidity Risk

As at October 31, 2020 remaining assets of the Franklin Upper Tier Floating Rate Fund are held in a side pocket due to their illiquid nature.

There are no other arrangements for managing the liquidity/liquidity risk of the Fund.

Leverage under AIFMD considerations

In accordance with the EU Commission Delegated Regulation (EU) No 231/13 (the "AIFM Regulation") leverage is any method which increases a Fund's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of a Fund's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of a Fund's positions (including all holdings) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

There was no change to the maximum level of leverage applied for AIFMD monitoring and reporting purposes since 31 October 2019.

Account	Gross Method as of October 31, 2020	Max leverage under gross method	Commitment method as of October 31, 2020	Max leverage under commitment method
Franklin Emerging Market Debt Opportunities II Fund	161.44%	210%	100.36%	170%
Franklin Emerging Market Investment Grade Debt Fund	91.36%	210%	100.00%	170%
Franklin Floating Rate II Fund	71.72%	210%	100.00%	170%
Franklin Multi-Sector Credit Income Fund	99.25%	210%	101.67%	200%

Remuneration

FTIS, as AIFM, has a remuneration policy in place which applies to all Alternative Investment Funds under its management. The policy has been designed to discourage excessive risk taking, integrating in its performance management systems risk criteria specific to the business units it covers. The policy has a governance structure aimed at preventing internal conflicts of interest.

There are defined procedures in place for the creation, update, review and approval of the policy as well as for communication and implementation of the policy. Senior Management, Human Resources, Internal Audit and other functions are all involved in this process and the Policy is approved by Senior Management and the Board of Directors of the Management Company.

Fixed remuneration is defined as base salary plus other benefits which may include pension contributions, life assurance premiums or private medical insurance premiums. Levels of fixed remuneration are set with reference to job complexity, level of responsibility, performance and market benchmarking data. These levels are reviewed on a regular basis.

Variable remuneration is defined as annual bonuses, long term awards in the form of performance share grants or Sales Bonus payments. Levels of variable remuneration are set with reference to overall corporate and business unit performance as well as individual performance.

Full Remuneration policy is available at the registered office of the Management Company

Quantitative information relevant to the Franklin Templeton Series II Funds is outlined below.

Total amount of fixed remuneration paid by FTIS and its delegates during the year ended September 30, 2020*,**	€ 486,209
Total amount of variable remuneration paid by FTIS and its delegates during the year ended September 30, 2020	€ 668,824
Number of staff of FTIS and in its delegates as at September 30, 2020	197
Total amount of compensation paid by FTIS and its delegates to Senior managers during the year ended September 30, 2020*,**	€ 100,835
Total amount paid by FTIS and its delegates to other members of staff who have a material impact on the profile of AIF during year ended September 30, 2020*,**	€ -

* The total amount of compensation paid by FTIS has been allocated to FTSIIF based on its pro rata share of the average month end total net assets of the funds under management of FTIS for the year ended September 30, 2020.

** The total amount of compensation paid by the FTIS delegates has been allocated to FTSIIF based on its pro rata share of the average month end total net assets of the funds under management of the FTIS delegates for the year ended September 30, 2020.

Securities Financing Transactions (SFTs) and Total Return Swaps (TRS)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) but it had exposure in total return swap contracts during the year. Information on total return swaps are detailed below.

Global data

Fund	Fund Currency	Gross Volume of TRS ¹	Total TRS in % of net assets
Franklin Multi-Sector Credit Income Fund	USD	2,007	0.01

⁽¹⁾absolute value of the unrealised gains/(losses)

Total return swaps, ten largest counterparties

Fund	Fund Currency	Counterparties	Gross Volume of TRS ¹ in Fund currency
Franklin Multi-Sector Credit Income Fund	USD	Morgan Stanley	2,007

⁽¹⁾absolute value of the unrealised gains/(losses)

When less than 10 counterparties are disclosed, less than 10 counterparties are available.

Total return swaps, maturity tenor and country of incorporation

Fund	Fund Currency	Maturity	Country of incorporation of the Counterparty	Gross Volume of TRS ¹ in Fund currency
Franklin Multi-Sector Credit Income Fund	USD	1 to 3 months	United States of America	2,007

⁽¹⁾absolute value of the unrealised gains/(losses)

Funds engaged in total return swap contracts utilise bi-lateral settlement and clearing with their respective counterparty.

Data on reuse of collateral

There was no collateral reuse during the year ended October 31, 2020. There was no cash collateral reinvestment during the year ended October 31, 2020.

Safekeeping of collateral

There was no collateral granted and received during the year ended October 31, 2020.

Data on return

The return from total return swap contracts is accrued to the Funds.

Collateral

As at October 31, 2020, the Company hold no cash collateral related to OTC derivatives.

As at October 31, 2020, Franklin Emerging Market Debt Opportunities II Fund and Franklin Multi-Sector Credit Income Fund reports cash collateral pledge related to OTC derivatives amounted to USD 6,130,000 and this balance is included in the cash account.

Franklin Templeton Office Directory

Further information regarding Franklin Templeton Series II Funds is available from the following Franklin Templeton office:

EUROPE

Luxembourg

Franklin Templeton International Services S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

B.P. 169, L-2011 Luxembourg

Grand Duchy of Luxembourg

Tel: +352 46 66 67 1 Fax: +352 46 66 76

www.franklintempleton.lu

Please note that the website mentioned above are directed at residents within the country stated on these website. (Please refer to the website disclaimers).

INFORMATION FOR QUALIFIED INVESTORS IN SWITZERLAND

1. Representative

The representative in Switzerland is

Franklin Templeton Switzerland Ltd
Stockerstrasse 38
8002 Zurich
Switzerland

2. Paying Agent

The paying agent in Switzerland is

NPB Neue Privat Bank AG
Limmatquai 1 / am Bellevue
Postfach
8022 Zürich

List of Funds represented in Switzerland

- Franklin Emerging Market Debt Opportunities II Fund
- Franklin Emerging Market Investment Grade Debt Fund

3. Place where the relevant documents may be obtained

The Prospectus, the Articles of Association as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

4. Payment of fees and expenses to the Paying Agent

The fees and expenses of the Paying Agent will be at normal commercial rates.

5. Place of performance and jurisdiction

In respect of the units distributed in and from Switzerland, the place of performance and jurisdiction is at the registered office of the representative.



**FRANKLIN
TEMPLETON**

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