

AUDITED ANNUAL REPORT

# FRANKLIN TEMPLETON SERIES II FUNDS

société d'investissement à capital variable

October 31, 2021



FRANKLIN  
TEMPLETON®



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société d'investissement à capital variable

## AUDITED ANNUAL REPORT

For the year ended October 31, 2021

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, 2021

### **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:**

#### **Chairwoman**

*Caroline Carroll*

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT  
LIMITED

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

#### **Directors**

*William Jackson*

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT  
LIMITED

5 Morrison Street, Edinburgh EH3 8BH,  
Scotland

*A. Craig Blair*

Director

FRANKLIN TEMPLETON INTERNATIONAL SERVICES  
S.à r.l.

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

(Appointed on November 15, 2021)

*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

(Resigned on October 29, 2021)

*Michel Tulle*

Senior Director Continental Europe

FRANKLIN TEMPLETON INTERNATIONAL SERVICES  
S.à r.l. French Branch

20 rue de la Paix  
75002 Paris

France

(Resigned on July 13, 2021)

*Hans-J. Wisser*

Independent Director

Kälberstücksweg 37  
61350 Bad Homburg

Germany

(Appointed on October 13, 2021)

### **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  
S.à r.l.

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

### **INVESTMENT MANAGER:**

FRANKLIN ADVISERS, INC.

One Franklin Parkway

San Mateo, CA 94403-1906

United States of America

(Until May 10, 2021)

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT  
LIMITED

Cannon Place

78 Cannon Street

London EC4N 6HL

United Kingdom

### **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

**CENTRAL ADMINISTRATIVE AGENT:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES  
S.à r.l.  
8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg

**ADMINISTRATIVE AGENT:**

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

**AUDITORS:**

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

**LEGAL ADVISERS:**

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

**INVESTMENT MANAGERS PER FUND:**

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 Multi-Sector Credit Income Fund<sup>1</sup>:  
Franklin Advisers, Inc.

<sup>1</sup>Franklin Multi-Sector Credit Income Fund was put into liquidation effective May 10, 2021

# 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, 2021.

## 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, 2021, FTSIIF comprised the following five sub-funds:

- Franklin Templeton Series II Funds – Franklin Emerging Market Investment Grade Debt Fund
- Franklin Templeton Series II Funds – Franklin Floating Rate II Fund (put into liquidation effective August 11, 2020)
- Franklin Templeton Series II Funds – Franklin Multi-Sector Credit Income Fund (put into liquidation effective May 10, 2021)
- Franklin Templeton Series II Funds – Franklin Upper Tier Floating Rate Fund (put into liquidation effective January 17, 2019)
- 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, 2021, FTSIIF had net assets of USD 1.42 billion, compared to USD 1.35 billion under management as at October 31, 2020.

## 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, 2021, the Directors were the following:

- William Jackson
- Hans-J. Wisser
- Caroline Carroll

## Notable events

On April 21, 2021, the following share classes were closed.

- Franklin Emerging Market Debt Opportunities II Fund X (Ydis) EUR
- Franklin Emerging Market Debt Opportunities II Fund Y (acc) AUD-H1 (hedged)
- Franklin Emerging Market Debt Opportunities II Fund Y (acc) USD-H1 (hedged)

Franklin Multi-Sector Credit Income Fund was put into liquidation effective May 10, 2021 and on May 26, 2021, the following share classes were closed.

- Franklin Multi-Sector Credit Income Fund I (acc) AUD-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) CHF-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) GBP-H1 (hedged)



**Notable events (continued)**

- Franklin Multi-Sector Credit Income Fund I (Qdis) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) EUR
- Franklin Multi-Sector Credit Income Fund I (Ydis) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) GBP-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) USD

**THE BOARD OF DIRECTORS**

Luxembourg, November 2021

# Report of the Investment Manager

## Franklin Emerging Market Debt Opportunities II Fund

### Market Overview

- Emerging market (EM) hard-currency sovereign bonds returned 2.61% in the 12 months to 31 October 2021, as per the JPMorgan EM Bond Index Global Diversified B-/B3 and higher, hedged into euros. Several coronavirus vaccines were rolled out in late 2020, which helped restart the US economy but also raised inflation. Newly elected US President Joe Biden signed a US\$1.9 trillion stimulus into law in March, and he later proposed a US\$1 trillion infrastructure bill as well as a US\$3.5 budget resolution.

As inflation continued to rise, the Federal Reserve (Fed) adopted more hawkish language in 2021. And by the end of the 12 months under review, the Fed looked likely to start reducing its asset purchases before the end of 2021. Even an interest rate hike in 2022, instead of 2023, looked increasingly possible. As a result, benchmark 10-year US Treasury yields rose from 0.88% at the beginning of the review period to 1.55% at the end of October 2021. EM hard-currency risk spreads, meanwhile, narrowed significantly over the 12 months under review.

Brent Crude oil prices rose from US\$37.94 per barrel at the end of October 2020 to US\$83.72 at the end of October 2021. World demand rose as the global economy recovered, but OPEC+ (the Organization of the Petroleum Exporting Countries and its allies, mainly Russia) maintained its production cuts, while oil stocks remained at low levels.

- EM hard-currency corporate bonds returned 1.57% over the review period, as per the ICE BofAML Emerging Market Corporate Plus Index, hedged into euros. EM corporate spreads narrowed in line with EM government bond spreads, which have a longer duration.

- EM local-currency sovereign debt prices returned 2.29% over the same timeframe, as per the JP Morgan GBI-EM Broad Diversified index, in euros. EM local-currency bond yields had fallen to record lows in 2020, as EM central banks slashed interest rates during the coronavirus crisis. And in 2021, the number of coronavirus deaths remained high in many EM countries, like Brazil, Mexico and India. Nevertheless, policymakers in many emerging markets started to raise interest rates to deal with rising inflation. As a result, local-currency EM yields rose around 108 basis points over the 12 months under review. EM currencies delivered a mixed performance, 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 2021, the fund returned 6.34% (I [Ydis] shares in euros), compared with a return of 2.61% for the JPMorgan EM Bond Index Global Diversified B-/B3 and higher, hedged into euros, and a return of 2.29% for the JP Morgan GBI-EM Broad Diversified Index, also in euros.

#### Main contributors

##### 1. Angolan US-dollar bonds

Angolan bonds traded at around 40% of par in April 2020, as some investors appeared to assume that the country's government was near default. We selectively added Angolan US-dollar bonds to the portfolio at this time. The Angolan government remained current with its International Monetary Fund (IMF) programme in 2020, and continued to implement its reform agenda, which ensured the support of the IMF and the G20. Most importantly, the oil price rally that started in late 2020 boosted the Angolan government's finances and, with it, prices for these bonds. In mid-2021, as oil prices started to top out, we moderately reduced the portfolio's holding of these bonds.

## 2. Iraqi US-dollar bonds

Oil revenues make up over 90% of the Iraqi government's income. Just as in Angola's case, prices for these bonds had fallen in the first half of 2020, but rose as oil prices rallied in 2021. In addition, Iraq's new prime minister, Mustafa Al-Kadhimi, proposed a three-year plan in April 2021 to fight corruption, cut public spending and diversify the Iraqi economy. His proposals went some way towards quelling popular unrest. A 2021 World Bank report highlighted the Iraqi government's successful budget reforms, narrowing budget deficit and increasingly efficient financial management, but also outlined fault lines that might reappear if oil prices were to fall again.

### Main detractors

#### 1. US-dollar bonds of Indonesian textile producer Sritex

Prices for Sritex's 2025 bonds fell sharply in the first quarter of 2021, to reflect the increased likelihood of a financial restructuring. Sritex's finances were relatively robust, but there was growing concern that the company might take advantage of Indonesia's debtor-friendly "PKPU" (suspension of debt payment obligations) process to reduce its debt burden, as two competitors had done.

In the second quarter, prices for Sritex's bonds fell to around 20% of par (without accrued interest) as the company missed several scheduled debt payments and formally entered a PKPU process. The administrator recognised claims in respect of the US\$225 million principal of Sritex's 2025 bonds. Sritex has also succeeded in getting its Indonesian proceedings recognised by a US judge, under Chapter 15 of the US bankruptcy code. Bondholders, however, have yet to see the restructuring proposal that the company has promised to produce.

#### 2. Long-dated Mexican local-currency bonds

Mexico's economy slowed down in late 2020 and many investors expected the country's central bank (Banxico) to cut rates. But from early 2021, inflation started to rise. At first, Banxico considered that this rise in inflation might be transitory and not require higher interest rates. But by April, inflation topped 6%, double the bank's target rate, and started to look more entrenched. As a result, Banxico raised interest rates three times towards the end of the period under review, from 4.00% in early June to 4.75% at the end of October. The long-dated Mexican bonds held by the fund suffered disproportionately from this move.

## Franklin Emerging Market Investment Grade Debt Fund

### Market overview

- Emerging market (EM) investment-grade (IG) hard-currency government bonds returned 0.14% in the 12 months under review, as per the JP Morgan EM Bond Index Global Diversified—Investment Grade, in US dollars. Several coronavirus vaccines were rolled out in late 2020, which helped restart the US economy but also contributed to higher inflation. Newly elected US President Joe Biden signed a US\$1.9 trillion stimulus into law in March, and he later proposed a US\$1 trillion infrastructure bill as well as a US\$3.5 budget resolution.

As inflation continued to rise, the Federal Reserve (Fed) adopted more hawkish language in 2021. And by the end of the 12 months under review, the Fed looked likely to start reducing its asset purchases before the end of 2021. Even an interest rate hike in 2022, instead of 2023, looked increasingly possible. As a result, benchmark 10-year US Treasury yields rose from 0.88% at the beginning of the review period to 1.55% at the end of October 2021. EM IG risk spreads started the review period at 176 basis points (bps) but narrowed to 150 bps by the end of October 2021, on a yield-to-worst basis.

Brent Crude oil prices rose from US\$37.94 per barrel at the end of October 2020 to US\$83.72 at the end of October 2021. World demand rose as the global economy recovered, but OPEC+ (the Organization of the Petroleum Exporting Countries and its allies, mainly Russia) maintained its production cuts, while oil stocks remained at low levels.

- EM hard-currency IG corporate bonds returned 1.77% during the 12 months under review, as per the ICE BofAML Emerging Markets High Grade Corporate Plus Index, hedged into US dollars. Despite their shorter duration, EM IG corporate bonds' risk spreads over US Treasuries narrowed more than EM government bond spreads.

• EM local-currency IG sovereign debt returned 0.38% over the review period, as per the JP Morgan GBI-EM Global Diversified – Investment Grade, in US dollars. EM local-currency bond yields had fallen to record lows in 2020, as EM central banks slashed interest rates during the coronavirus crisis. And in 2021, the number of coronavirus deaths remained high in many EM countries, like Brazil, Mexico and India. Nevertheless, policymakers in many emerging markets started to undo emergency stimulus, raise interest rates and deal with rising inflation. As a result, local-currency EM IG yields rose around 106 bps over the 12 months under review. EM currencies delivered a mixed performance, relative to the US dollar.

## 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 1.21% (1 [acc] shares in US dollars) net of fees, for the 12-month period ending 31 October 2021.

### Main contributors

#### 1. Long-dated Uruguayan local-currency bonds

After President Luis Lacalle Pou came to power in March 2020, Uruguay's central bank implemented a new monetary framework. The bank reaffirmed that fighting Uruguay's chronic inflation would be its primary goal, doubled the frequency of its monetary policy meetings, and improved transparency by making the minutes of those meetings publicly available. Importantly, it adopted a benchmark interest rate, and raised it for the first time, from 4.50% to 5.00% in August 2021. Many investors saw the Uruguayan central bank's moves as positive steps towards taming the country's chronic inflation, and this boosted Uruguayan bonds.

By contrast, Argentina's economic crisis weighed on prices for Uruguayan bonds during the 12 months under review, because the two neighbours are important trading partners. But the return of tourism, which makes up between 10% and 20% of Uruguay's GDP, helped the Uruguayan economy in 2021.

#### 2. Short-dated Mexican local-currency bonds

Higher oil prices, a recovering US economy and the prospect of increasing levels of US fiscal stimulus boosted prices for those Mexican bonds that were least affected by the country's unexpected bout of rising inflation. Domestically, mid-term parliamentary elections in June supported prices as well: President Andrés Manuel López Obrador maintained his majority in parliament but lost the supermajority that might have allowed him to change Mexico's constitution. Prices for these bonds moderated after Mexico's central bank raised interest rates three times in July, August and September, but the stronger Mexican peso boosted this position's performance.

### Main detractors

#### 1. Long-dated Mexican local-currency bonds

The Mexican economy's growth momentum in 2021 was tainted by rising inflation. Earlier this year, Banxico considered that rising inflation might be transitory and might not require higher interest rates. But by April, Mexico's inflation rate had topped 6%, double the bank's target, and started to look more entrenched. As a result, Banxico raised interest rates three times in the months under review, from 4.00% in early June to 4.75% at the end of October. The long-dated Mexican bonds held by the fund suffered disproportionately from this move.

2. US-dollar bonds of Chinese property developer Shimao Property

Shimao produced healthy results for the first half of 2021, including stable to improving credit metrics in accordance with the thresholds set by the Chinese government's "three red lines". Despite these strong fundamentals, however, its bonds underperformed in the 12 months under review, after rumours that property developer Evergrande might default on some of its debt.

**THE INVESTMENT MANAGER**

November 2021

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, 2021 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, 2021, 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 23 July 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:

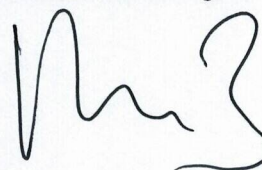
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.



- 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



Pierre-Marie Boul

Luxembourg, March 2, 2022



## Fund Performance

Percentage change to October 31, 2021

	Share Class	Launch Date	6 Months %	1 Year %	3 Years %	5 Years %	Since Launch %
Franklin Emerging Market Debt Opportunities II Fund	I (Ydis) EUR-H2 (hedged)	30 Nov 12	1.8	6.3	11.4	15.4	32.2
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR	24 Feb 12	4.7	2.0	14.6	14.7	56.0
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR-H1 (hedged)	24 Feb 12	0.3	0.3	9.8	7.8	17.5
Franklin Emerging Market Investment Grade Debt Fund	I (acc) USD	24 Feb 12	0.6	1.2	16.9	20.6	33.9
Franklin Emerging Market Investment Grade Debt Fund	Y (Mdis) USD	12 Jan 18	1.0	2.0	19.7	–	14.6

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, 2021

	Total	Franklin Emerging Market Debt Opportunities II Fund	Franklin Emerging Market Investment Grade Debt Fund
	(USD)	(EUR)	(USD)
<b>ASSETS</b>			
Investments in securities at market value ((note 2(b))	1,387,679,859	1,148,166,641	36,031,746
Cash at bank and at brokers	31,241,908	23,930,238	141,313
Interest and dividends receivable, net	24,892,794	21,088,817	503,369
Unrealised profit on forward foreign exchange contracts (notes 2(c), 3)	842,980	680,719	54
Other receivables	368,572	304,992	5,127
<b>TOTAL ASSETS</b>	<b>1,445,026,113</b>	<b>1,194,171,407</b>	<b>36,681,609</b>
<b>LIABILITIES</b>			
Amounts payable on purchases of investments	10,107,418	8,743,927	–
Investment management fees payable (note 4)	819,172	707,901	71
Unrealised loss on forward foreign exchange contracts (notes 2(c), 3)	15,757,703	13,631,989	–
Taxes and expenses payable	1,237,932	800,156	51,822
<b>TOTAL LIABILITIES</b>	<b>27,922,225</b>	<b>23,883,973</b>	<b>51,893</b>
<b>TOTAL NET ASSETS</b>	<b>1,417,103,888</b>	<b>1,170,287,434</b>	<b>36,629,716</b>
<b>THREE YEAR ASSET SUMMARY</b>			
October 31, 2020	1,347,591,234	1,091,235,850	27,733,352
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

<sup>1</sup>This Fund was put into liquidation effective August 11, 2020<sup>2</sup>This Fund was put into liquidation effective May 10, 2021<sup>3</sup>This Fund was put into liquidation effective January 17, 2019

## Statement of Net Assets

As at October 31, 2021

Franklin Floating Rate II Fund <sup>1</sup>	Franklin Multi- Sector Credit Income Fund <sup>2</sup>	Franklin Upper Tier Floating Rate Fund <sup>3</sup>
(USD)	(USD)	(USD)
4,890,770	130,729	19,419,770
395,907	1,524,962	1,517,909
12,107	—	—
453	—	55,606
—	10,894	—
<b>5,299,237</b>	<b>1,666,585</b>	<b>20,993,285</b>
—	—	—
—	813	—
—	—	—
115,605	74,205	71,371
<b>115,605</b>	<b>75,018</b>	<b>71,371</b>
<b>5,183,632</b>	<b>1,591,567</b>	<b>20,921,914</b>
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

## Statement of Operations and Changes in Net Assets

For the year ended October 31, 2021

	Total	Franklin Emerging Market Debt Opportunities II Fund	Franklin Emerging Market Investment Grade Debt Fund
	(USD)	(EUR)	(USD)
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>1,347,591,234</b>	<b>1,091,235,850</b>	<b>27,733,352</b>
Currency translation adjustment	(9,454,730)	—	—
	1,338,136,504	1,091,235,850	27,733,352
<b>INCOME</b>			
Dividends (net of withholding taxes) (note 2(i))	2,228	—	—
Interest on bonds (net of withholding taxes) (note 2(ii))	78,528,252	65,959,123	1,786,515
Bank interest	4,776	—	184
Net interest income on swaps	16,724	—	—
Sundry income	442,294	382,196	—
<b>TOTAL INCOME</b>	<b>78,994,274</b>	<b>66,341,319</b>	<b>1,786,699</b>
<b>EXPENSES</b>			
Investment management fees (note 4)	9,399,162	8,069,288	859
Administration and transfer agency fees	2,268,675	1,904,296	230
Subscription tax (note 6)	139,536	116,105	4,243
Custodian fees	507,097	381,885	32,712
Audit fees	31,931	7,450	10,503
Printing and publishing expenses	36,535	26,260	4,304
Bank charges	131,991	114,185	—
Net interest expenses on swaps	6,711	—	—
Maintenance and service charges (note 7)	14,211	—	—
Other charges (note 12)	79,508	29,693	20,844
<b>TOTAL EXPENSES</b>	<b>12,615,357</b>	<b>10,649,162</b>	<b>73,695</b>
Expenses reimbursement (note 9)	(374,923)	(267,555)	(78)
<b>NET EXPENSES</b>	<b>12,240,434</b>	<b>10,381,607</b>	<b>73,617</b>
<b>NET PROFIT/(LOSS) FROM INVESTMENTS</b>	<b>66,753,840</b>	<b>55,959,712</b>	<b>1,713,082</b>
Net realised profit/(loss) on sale of investments (note 8)	(44,336,656)	(23,569,964)	266,530
Net realised profit/(loss) on forward foreign exchange contracts	(9,634,301)	(8,384,552)	(3,020)
Net realised profit/(loss) on financial future contracts	49,981	—	—
Net realised profit/(loss) on cross currency swap contracts	(7,910)	—	—
Net realised profit/(loss) on total return swap contracts	2,463	—	—
Net realised profit/(loss) on credit default swap contracts	14,481	—	—
Net realised profit/(loss) on foreign exchange transactions	366,485	302,828	14,291
<b>NET REALISED PROFIT/(LOSS) FOR THE YEAR</b>	<b>13,208,383</b>	<b>24,308,024</b>	<b>1,990,883</b>
Change in net unrealised appreciation/(depreciation) on:			
Investments (note 8)	80,452,229	49,308,795	(1,378,067)
Forward foreign exchange contracts	(4,860,168)	(4,331,502)	1,114
Cross currency swap contracts	821	—	—
Total return swap contracts	2,007	—	—
Credit default swap contracts	31,137	—	—
Foreign exchange transactions	121,265	105,468	(549)
Capital gains tax	227,776	193,224	4,421
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>89,183,450</b>	<b>69,584,009</b>	<b>617,802</b>
<b>MOVEMENT OF CAPITAL</b>			
Issue of shares	125,010,886	91,280,539	19,349,178
Redemption of shares	(57,678,394)	(16,467,967)	(9,374,397)
Equalisation (note 13)	(275,055)	—	—
	<b>67,057,437</b>	<b>74,812,572</b>	<b>9,974,781</b>
Dividends paid/accumulated	(77,273,503)	(65,344,997)	(1,696,219)
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL</b>	<b>(10,216,066)</b>	<b>9,467,575</b>	<b>8,278,562</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>1,417,103,888</b>	<b>1,170,287,434</b>	<b>36,629,716</b>
Portfolio Turnover Ratio (note 14)		65.88%	81.18%

<sup>1</sup>This Fund was put into liquidation effective August 11, 2020<sup>2</sup>This Fund was put into liquidation effective May 10, 2021<sup>3</sup>This Fund was put into liquidation effective January 17, 2019

# Statement of Operations and Changes in Net Assets

For the year ended October 31, 2021

Franklin Floating Rate II Fund <sup>1</sup>	Franklin Multi- Sector Credit Income Fund <sup>2</sup>	Franklin Upper Tier Floating Rate Fund <sup>3</sup>
(USD)	(USD)	(USD)
<b>20,164,366</b>	<b>16,022,488</b>	<b>12,817,788</b>
—	—	—
20,164,366	16,022,488	12,817,788
—	2,228	—
103,739	393,491	—
1,422	2,348	822
—	16,724	—
—	500	—
<b>105,161</b>	<b>415,291</b>	<b>822</b>
—	70,725	—
23,012	13,450	30,739
—	653	430
—	32,950	—
—	12,816	—
27	1,817	32
—	—	—
—	6,711	—
14,211	—	—
—	24,341	—
<b>37,250</b>	<b>163,463</b>	<b>31,201</b>
—	(65,569)	—
<b>37,250</b>	<b>97,894</b>	<b>31,201</b>
<b>67,911</b>	<b>317,397</b>	<b>(30,379)</b>
(17,447,417)	89,596	—
24,197	159,229	(122,704)
—	49,981	—
—	(7,910)	—
—	2,463	—
—	14,481	—
4,631	(2,488)	1
<b>(17,350,678)</b>	<b>622,749</b>	<b>(153,082)</b>
16,257,089	395,737	8,179,671
24,421	43,384	77,851
—	821	—
—	2,007	—
—	31,137	—
43	(143)	—
—	—	—
<b>(1,069,125)</b>	<b>1,095,692</b>	<b>8,104,440</b>
132,610	14,662	—
(13,983,847)	(15,283,925)	(314)
(60,372)	(214,683)	—
<b>(13,911,609)</b>	<b>(15,483,946)</b>	<b>(314)</b>
—	(42,667)	—
<b>(13,911,609)</b>	<b>(15,526,613)</b>	<b>(314)</b>
<b>5,183,632</b>	<b>1,591,567</b>	<b>20,921,914</b>
N/A	N/A	N/A

## Statistical Information

For the year ended October 31, 2021

	Total Expense Ratio October 31, 2021 (See note 16)	Shares Outstanding as at October 31, 2021	Net Asset Value per share as at October 31, 2021	Net Asset Value per share as at October 31, 2020	Net Asset Value per share as at October 31, 2019
<b>Franklin Emerging Market Debt Opportunities II Fund - EUR</b>					
I (Ydis) EUR-H2 (hedged)	0.90%	147,172,568.205	7.95	7.95	8.71
X (Ydis) EUR <sup>1</sup>	—	—	—	9.13	9.99
Y (acc) AUD-H1 (hedged) <sup>1</sup>	—	—	—	10.14	10.26
Y (acc) USD-H1 (hedged) <sup>1</sup>	—	—	—	10.41	10.33
<b>Franklin Emerging Market Investment Grade Debt Fund - USD</b>					
I (acc) EUR	0.95%	743.080	15.60	15.29	15.39
I (acc) EUR-H1 (hedged)	0.95%	7,865.896	11.75	11.72	11.57
I (acc) USD	0.95%	500.029	13.39	13.23	12.75
Y (Mdis) USD	0.17%	3,804,950.002	9.59	9.80	9.83
<b>Franklin Floating Rate II Fund – USD<sup>2</sup></b>					
A (acc) EUR-H1 (hedged)	0.55%	14,676.500	7.01	7.56	8.99
A (acc) USD	0.55%	129,490.092	10.92	11.64	13.59
A (Mdis) USD	0.55%	119,751.351	5.91	6.30	7.80
I (acc) EUR-H1 (hedged)	0.18%	19,049.375	7.28	7.83	9.27
I (acc) GBP-H1 (hedged)	0.18%	1,015.072	7.89	8.45	9.96
I (acc) USD	0.18%	55,400.689	11.42	12.13	14.10
I (Mdis) USD	0.18%	124,590.934	6.17	6.55	8.02
I (Qdis) EUR-H1 (hedged)	0.18%	12,985.322	5.90	6.35	8.04
I (Ydis) CHF-H1 (hedged)	0.18%	1,013.611	6.39	6.90	8.78
I (Ydis) EUR-H1 (hedged)	0.13%	853.259	6.60	7.09	8.98
I (Ydis) USD	0.00%	46.139	7.31	7.75	9.64
W (acc) EUR-H1 (hedged)	0.18%	22,447.116	8.18	8.79	10.44
W (acc) USD	0.18%	64,749.038	9.63	10.22	11.89
W (Qdis) USD	0.18%	62,249.593	6.93	7.37	9.13
Y (Mdis) USD	0.00%	57.964	7.19	7.62	9.28
<b>Franklin Multi-Sector Credit Income Fund – USD<sup>3</sup></b>					
I (acc) AUD-H1 (hedged) <sup>4</sup>	—	—	—	12.27	12.19
I (acc) CHF-H1 (hedged) <sup>4</sup>	—	—	—	10.96	10.91
I (acc) EUR-H1 (hedged) <sup>4</sup>	—	—	—	11.21	11.13
I (acc) GBP-H1 (hedged) <sup>4</sup>	—	—	—	11.70	11.60
I (acc) USD	0.80%	120,034.266	13.26	12.48	12.14
I (Qdis) EUR-H1 (hedged) <sup>4</sup>	—	—	—	8.74	9.00
I (Ydis) EUR <sup>4</sup>	—	—	—	9.59	10.35
I (Ydis) EUR-H1 (hedged) <sup>4</sup>	—	—	—	8.94	9.45
I (Ydis) GBP-H1 (hedged) <sup>4</sup>	—	—	—	9.31	9.80
I (Ydis) USD <sup>4</sup>	—	—	—	9.96	10.30
<b>Franklin Upper Tier Floating Rate Fund – USD<sup>5</sup></b>					
I (acc) USD SP	0.18%	925.023	19.18	11.73	10.59
I (Qdis) CHF-H1 (hedged) SP	0.18%	256,127.944	14.72	9.09	8.40
I (Qdis) EUR-H1 (hedged) SP	0.19%	25,557.941	15.29	9.42	8.66
I (Qdis) USD SP	0.18%	951,975.450	17.09	10.45	9.43
Y (Qdis) USD SP	0.01%	3,554.593	18.22	11.12	10.02

<sup>1</sup>This share class was closed on April 21, 2021<sup>2</sup>This Fund was put into liquidation effective August 11, 2020<sup>3</sup>This Fund was put into liquidation effective May 10, 2021<sup>4</sup>This share class was closed on May 26, 2021<sup>5</sup>This Fund was put into liquidation effective January 17, 2019

# Notes to Financial Statements

For the year ended October 31, 2021

## 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 2 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

On April 21, 2021, the following share classes were closed.

- Franklin Emerging Market Debt Opportunities II Fund X (Ydis) EUR
- Franklin Emerging Market Debt Opportunities II Fund Y (acc) AUD-H1 (hedged)
- Franklin Emerging Market Debt Opportunities II Fund Y (acc) USD-H1 (hedged)

Franklin Multi-Sector Credit Income Fund was put into the liquidation effective May 10, 2021 and on May 26, 2021, the following share classes were closed.

- Franklin Multi-Sector Credit Income Fund I (acc) AUD-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) CHF-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (acc) GBP-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Qdis) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) EUR
- Franklin Multi-Sector Credit Income Fund I (Ydis) EUR-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) GBP-H1 (hedged)
- Franklin Multi-Sector Credit Income Fund I (Ydis) USD

## 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, the Franklin Multi-Sector Credit Income Fund and the Franklin Upper Tier Floating Rate Fund which are in liquidation and hence their financial statements have been prepared on a non-going concern basis.

### (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.

## **Note 2 - Significant accounting policies** (continued)

### **(b) Investment in securities** (continued)

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 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 gains and losses are included in the "Statement of Operations and Changes in Net Assets".

### **(e) 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".



**Note 2 - Significant accounting policies** (continued)**(e) Total return swap contracts** (continued)

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.

**(f) Credit default swap contracts**

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".

**(g) Cross currency swap contracts**

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.

**(h) 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, 2021 are as follows:

AUD	1.3293
CHF	0.9158
EUR	0.8651
GBP	0.7307
JPY	113.9750

The list of the currency abbreviations is available in note 18.

## **Note 2 - Significant accounting policies** (continued)

### **(i) Income**

Interest income is accrued on a daily basis.

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

### **(j) Charges and expenses**

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

### **(k) Formation expenses**

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

### **(l) 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 is generally readily marketable, but may be subject to some restrictions on resale.

### **(m) 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 period-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 period and current accounting period-end reporting.

### **(n) 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.

**Note 2 - Significant accounting policies** (continued)**(n) Swing pricing** (continued)

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/semi-annual period end, as disclosed in the Statistical Information, would include the swing pricing adjustment.

During the year ended October 31, 2021, swing pricing adjustments affected the net asset value per share of the following Funds:

- Franklin Emerging Market Debt Opportunities II Fund
- Franklin Emerging Market Investment Grade Debt Fund
- Franklin Floating Rate II Fund
- Franklin Multi-Sector Credit Income Fund

**Note 3 - Forward foreign exchange contracts**

As at October 31, 2021, 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	10,027,983	JPY	1,300,000,000	06-Dec-21	164,702
EUR	741,935,247	USD	874,000,000	06-Dec-21	(13,631,989)
USD	47,100,000	EUR	40,201,622	06-Dec-21	516,017
					<b>(12,951,270)</b>

The above contracts were opened with the below counterparties:

Barclays	(2,667,974)
Citibank	(2,652,405)
Deutsche Bank	(2,264,822)
Morgan Stanley	(2,651,891)
RBC	(2,714,178)
	<b>(12,951,270)</b>

### Note 3 - Forward foreign exchange contracts (continued)

#### 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	92,294	USD	106,656	15-Nov-21	54
					<b>54</b>

The above contracts were opened with the below counterparties:

J.P. Morgan	54
	<b>54</b>

#### Franklin Floating Rate II Fund\*

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	6,397	USD	6,890	15-Nov-21	97
EUR	500,963	USD	578,916	15-Nov-21	295
GBP	7,969	USD	10,844	15-Nov-21	61
					<b>453</b>

The above contracts were opened with the below counterparties:

J.P. Morgan	453
	<b>453</b>

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

#### Franklin Upper Tier Floating Rate Fund\*

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	3,747,330	USD	4,037,846	15-Nov-21	55,491
EUR	388,349	USD	448,891	15-Nov-21	115
					<b>55,606</b>

The above contracts were opened with the below counterparties:

J.P. Morgan	55,606
	<b>55,606</b>

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

### Note 4 - 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, 2021.

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 I
Franklin Emerging Market Debt Opportunities II Fund	0.70%
Franklin Emerging Market Investment Grade Debt Fund	0.65%
Franklin Multi-Sector Credit Income Fund*	0.60%

\*This fund was put into the liquidation effective May 10, 2021

## Note 5 - 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 Manager, among others, 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 manager will be remunerated by the Management Company out of the investment management fee received from the Company, as more fully detailed in note 4 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, 2021.

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, 2020 to October 31, 2021.

## Note 6 - 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 7 - 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 4).

## Note 7 - Share classes (continued)

**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 4). Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class).

**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 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 8 - Net Profit/ Loss on Investments

	Franklin Emerging Market Debt Opportunities II Fund EUR	Franklin Emerging Market Investment Grade Debt Fund USD	Franklin Floating Rate II Fund USD
Realised profit on sale of investments	24,764,054	938,229	90,258
Realised loss on sale of investments	(48,334,018)	(671,699)	(17,537,675)
<b>Net realised profit/(loss) on sale of investments</b>	<b>(23,569,964)</b>	<b>266,530</b>	<b>(17,447,417)</b>
Change in unrealised profit on investments	81,587,933	429,933	19,408,818
Change in unrealised loss on investments	(32,279,138)	(1,808,000)	(3,151,729)
<b>Change in net unrealised profit/(loss) on investments</b>	<b>49,308,795</b>	<b>(1,378,067)</b>	<b>16,257,089</b>

	Franklin Multi-Sector Credit Income Fund USD	Franklin Upper Tier Floating Rate Fund USD
Realised profit on sale of investments	797,033	—
Realised loss on sale of investments	(707,437)	—
<b>Net realised profit/(loss) on sale of investments</b>	<b>89,596</b>	<b>—</b>
Change in unrealised profit on investments	846,865	8,179,671
Change in unrealised loss on investments	(451,128)	—
<b>Change in net unrealised profit/(loss) on investments</b>	<b>395,737</b>	<b>8,179,671</b>

**Note 9 - Expenses reimbursement**

For the year ended October 31, 2021, 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.

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.

<b>Fund Name</b>	<b>Currency</b>	<b>Amount</b>
Franklin Emerging Market Debt Opportunities II Fund	EUR	267,555
Franklin Emerging Market Investment Grade Debt Fund	USD	78
Franklin Multi-Sector Credit Income Fund*	USD	65,569

\*This fund was put into the liquidation effective May 10, 2021

**Note 10 - 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 11 - Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, brokers and dealers. During the year ended October 31, 2021, the Company incurred the following transaction costs:

<b>Fund Name</b>	<b>Currency</b>	<b>Amount</b>
Franklin Emerging Market Debt Opportunities II Fund	EUR	703
Franklin Emerging Market Investment Grade Debt Fund	USD	—*
Franklin Floating Rate II Fund**	USD	—*
Franklin Multi-Sector Credit Income Fund***	USD	367
Franklin Upper Tier Floating Rate Fund****	USD	—*

\*For debt securities and derivatives, transaction costs are not separately identifiable from the purchase price of the security and therefore cannot be disclosed separately

\*\*This fund was put into the liquidation effective August 11, 2020

\*\*\*This fund was put into the liquidation effective May 10, 2021

\*\*\*\*This fund was put into the liquidation effective January 17, 2019

**Note 12 - Other Charges**

Where other charges exceeds 10% of total expenses the detailed breakdown is as follows:

	<b>Franklin Emerging Market Investment Grade Debt Fund</b>	<b>Franklin Multi-Sector Credit Income Fund*</b>
	<b>(USD)</b>	<b>(USD)</b>
Legal fees	1,272	(171)
Miscellaneous expenses	962	6,131
Paying agent fees	1,769	1,459
Registration and filing fees	16,068	15,976
Tax fees	773	946
	<b>20,844</b>	<b>24,341</b>

\*This fund was put into the liquidation effective May 10, 2021



### Note 13 - 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 14 - 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 15 - Credit facilities

Effective February 5, 2021, 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 2,675 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.

During the financial year ended October 31, 2021, the Company did not use the Global Credit Facility.

### Note 16 - 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, 2021. 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 17 - 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](http://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 18 - Abbreviations

#### Countries

ARG	Argentina	ETH	Ethiopia	MYS	Malaysia	TUN	Tunisia
ARM	Armenia	GEO	Georgia	NGA	Nigeria	TUR	Turkey
AZB	Azerbaijan	GHA	Ghana	PAK	Pakistan	UKR	Ukraine
BEN	Benin	HND	Honduras	PAN	Panama	URY	Uruguay
BIH	Bosnia and Herzegovina	HUN	Hungary	PER	Peru	USA	United States of America
BLR	Belarus	IDN	Indonesia	PHL	Philippines	UZB	Uzbekistan
BRA	Brazil	IND	India	POL	Poland	ZAF	South Africa
CHL	Chile	IRL	Ireland	PRY	Paraguay		
CHN	China	IRQ	Iraq	ROU	Romania		
CMR	Cameroon	JAM	Jamaica	RUS	Russia		
COL	Colombia	JOR	Jordan	SLV	El Salvador		
CRI	Costa Rica	KAZ	Kazakhstan	SP	Supranational		
CZE	Czech Republic	KEN	Kenya	SRB	Serbia		



**Note 18 - Abbreviations** (continued)

DOM	Dominican Republic	MEX	Mexico	SUR	Suriname
EGY	Egypt	MKD	Macedonia	TTO	Trinidad and Tobago

**Currencies**

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

**Note 19 - Subsequent events**

Franklin Upper Tier Floating Rate Fund closed on December 16, 2021.

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. FTSIIF-Franklin Emerging Market Investment Grade Debt Fund and FTSIIF- Franklin Emerging Market Debt Opportunities II Fund are holding Russian state debt and Ukrainian state debt currently for less than 2.5% of their NAV as of March 1, 2022.

Franklin Templeton International Services S.à r.l. ("FTIS") as Management Company is closely monitoring developments that may impact financial markets including sanctions, actions by governments and developments in Ukraine itself. FTIS will further assess the impact on the portfolio companies' operations and valuation and will take any potential actions needed, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions.

## Schedule of Investments, October 31, 2021

## 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				
	<b>SHARES</b>				
	<b>Metals &amp; Mining</b>				
107,804,552	Petra Diamonds Ltd.	ZAF	GBP	1,978,306	0.17
				1,978,306	0.17
	<b>TOTAL SHARES</b>			1,978,306	0.17
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
15,100,000	Country Garden Holdings Co. Ltd., Reg. S 7.25% 04/08/2026	CHN	USD	13,581,677	1.16
13,900,000	Pegasus Hava Tasimaciligi A/S, Reg. S 9.25% 04/30/2026	TUR	USD	12,543,178	1.07
13,900,000	Frigorifico Concepcion SA, Reg. S 7.7% 07/21/2028	PRY	USD	12,274,846	1.05
13,500,000	Alfa Bank AO, Reg. S, FRN 5.95% 04/15/2030	RUS	USD	12,114,285	1.03
13,200,000	Tullow Oil plc, Reg. S 10.25% 05/15/2026	GHA	USD	12,046,556	1.03
14,200,000	Akbank TAS, Reg. S, FRN 6.8% 06/22/2031	TUR	USD	11,976,455	1.02
12,900,000	Braskem Idesa SAPI, Reg. S 7.45% 11/15/2029	MEX	USD	11,857,644	1.01
11,700,000	Georgia Capital JSC, Reg. S 6.125% 03/09/2024	GEO	USD	10,440,826	0.89
11,025,000	MHP Lux SA, Reg. S 6.95% 04/03/2026	UKR	USD	10,163,335	0.87
8,350,000	Energopro A/S, Reg. S 4% 12/07/2022	CZE	EUR	8,371,768	0.72
6,400,000	Access Bank plc, Reg. S 6.125% 09/21/2026	NGA	USD	5,565,049	0.48
5,650,000	IHS Netherlands Holdco BV, Reg. S 8% 09/18/2027	NGA	USD	5,205,684	0.44
5,357,000	Medco Oak Tree Pte. Ltd., Reg. S 7.375% 05/14/2026	IDN	USD	4,976,277	0.43
5,150,000	Medco Platinum Road Pte. Ltd., Reg. S 6.75% 01/30/2025	IDN	USD	4,653,245	0.40
84,480,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	3,634,081	0.31
3,800,000	Eurotorg LLC, Reg. S 9% 10/22/2025	BLR	USD	3,437,062	0.29
3,650,000	Kosmos Energy Ltd., Reg. S 7.75% 05/01/2027	GHA	USD	3,162,197	0.27
2,750,000	MTN Mauritius Investments Ltd., Reg. S 4.755% 11/11/2024	ZAF	USD	2,492,344	0.21
1,919,185	Petra Diamonds US Treasury plc, Reg. S 0% 03/08/2026	ZAF	USD	1,716,375	0.15
6,750,000	Sri Rejeki Isman Tbk. PT, Reg. S 7.25% 01/16/2025 <sup>s</sup>	IDN	USD	1,226,317	0.11
				151,439,201	12.94
	<b>Government and Municipal Bonds</b>				
1,484,851,739	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	32,238,789	2.75
32,000,000	Brazil Government Bond 4.5% 05/30/2029	BRL	USD	27,743,024	2.37
616,150,000	Mexican Bonos 8% 11/07/2047	MEX	MXN	26,057,433	2.23
494,400,000	South Africa Government Bond 7% 02/28/2031	ZAF	ZAR	23,032,384	1.97
26,812,500	Iraq Government Bond, Reg. S 5.8% 01/15/2028	IRQ	USD	22,619,206	1.93
21,619,000	Indonesia Government Bond 1.75% 04/24/2025	IDN	EUR	22,466,796	1.92
23,700,000	Colombia Government Bond 2.625% 03/15/2023	COL	USD	20,820,079	1.78
30,000,000	El Salvador Government Bond, Reg. S 7.65% 06/15/2035	SLV	USD	19,595,121	1.67
1,641,554,000	Russian Federal Bond - OFZ 7.65% 04/10/2030	RUS	RUB	19,570,174	1.67
87,400,000	Poland Government Bond 2.5% 07/25/2026	POL	PLN	19,143,175	1.63
21,000,000	Belarus Government Bond, Reg. S 6.875% 02/28/2023	BLR	USD	18,397,665	1.57
16,200,000	Russian Foreign Bond - Eurobond, Reg. S 5.625% 04/04/2042	RUS	USD	18,228,399	1.56
25,400,000	Ethiopia Government Bond, Reg. S 6.625% 12/11/2024	ETH	USD	18,004,753	1.54
21,200,000	Turkey Government Bond 5.95% 01/15/2031	TUR	USD	17,194,193	1.47
17,300,000	Benin Government International Bond, Reg. S 4.875% 01/19/2032	BEN	EUR	16,921,995	1.44
291,800,000	Arab Republic of Egypt 13.659% 09/07/2023	EGY	EGP	15,993,358	1.37
15,250,000	Southern Gas Corridor CJSC, Reg. S 6.875% 03/24/2026	AZE	USD	15,486,792	1.32
12,200,000	Jamaica Government Bond 7.875% 07/28/2045	JAM	USD	14,955,793	1.28
323,048,434	Mexican Udibonos 4% 11/30/2028	MEX	MXN	14,700,238	1.26
794,000,000	Dominican Republic Government Bond, Reg. S 9.75% 06/05/2026	DOM	DOP	14,481,148	1.24
15,096,000	Paraguay Government Bond, Reg. S 2.739% 01/29/2033	PRY	USD	12,586,530	1.08
12,700,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	12,308,131	1.05
13,800,000	Costa Rica Government Bond, Reg. S 7.158% 03/12/2045	CRI	USD	12,100,042	1.03
14,000,000	Nigeria Government Bond, Reg. S 7.375% 09/28/2033	NGA	USD	12,021,421	1.03
16,100,000	Egypt Government Bond, Reg. S 7.5% 02/16/2061	EGY	USD	11,850,263	1.01
13,400,000	Pakistan Government Bond, Reg. S 7.375% 04/08/2031	PAK	USD	11,796,579	1.01
12,000,000	Russian Foreign Bond - Eurobond, Reg. S 4.75% 05/27/2026	RUS	USD	11,659,746	1.00
11,850,000	Cameroon Government Bond, Reg. S 5.95% 07/07/2032	CMR	EUR	11,593,092	0.99
11,500,000	Armenia Government Bond, Reg. S 7.15% 03/26/2025	ARM	USD	11,341,593	0.97
11,800,000	Jordan Government Bond, Reg. S 6.125% 01/29/2026	JOR	USD	11,050,850	0.94
13,100,000	Ghana Government Bond, Reg. S 8.125% 01/18/2026	GHA	USD	10,940,693	0.93
5,600,000,000	Kazakhstan Government Bond 5% 05/15/2023	KAZ	KZT	10,638,640	0.91
647,950,000	Dominican Republic Government Bond, Reg. S 8.9% 02/15/2023	DOM	DOP	10,575,082	0.90
122,510,000,000	Uzbekistan Government Bond, Reg. S 14% 07/19/2024	UZB	UZS	10,028,009	0.86
49,700,000	Peru Government Bond 5.4% 08/12/2034	PER	PEN	9,831,579	0.84

## 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
11,300,000	Egypt Government Bond, Reg. S 7.625% 05/29/2032	EGY	USD	9,480,123	0.81
10,500,000	Costa Rica Government Bond, Reg. S 4.25% 01/26/2023	CRI	USD	9,304,114	0.80
9,800,000	Mexico Government Bond 3.75% 01/11/2028	MEX	USD	9,196,561	0.79
12,200,000	Belarus Government Bond, Reg. S 6.378% 02/24/2031	BLR	USD	9,191,163	0.79
8,390,000	Serbia Government Bond, Reg. S 3.125% 05/15/2027	SRB	EUR	9,117,161	0.78
60,965,000	Ghana Government Bond 18.25% 07/25/2022	GHA	GHS	8,700,868	0.74
8,500,000	Dominican Republic Government Bond, Reg. S 6.4% 06/05/2049	DOM	USD	7,831,634	0.67
8,300,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	7,664,234	0.65
9,188,940	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	7,657,609	0.65
131,500,000	Arab Republic of Egypt 14.196% 07/07/2023	EGY	EGP	7,263,923	0.62
27,000,000,000	Colombia Government Bond 9.85% 06/28/2027	COL	COP	7,140,126	0.61
8,570,000	Banque Centrale de Tunisie International Bond, Reg. S 6.375% 07/15/2026	TUN	EUR	6,862,256	0.59
7,400,000	Honduras Government Bond, Reg. S 7.5% 03/15/2024	HND	USD	6,722,035	0.57
76,100,000,000	Uzbekistan Government Bond, Reg. S 14.5% 11/25/2023	UZB	UZS	6,312,893	0.54
6,750,000	Jordan Government Bond, Reg. S 5.85% 07/07/2030	JOR	USD	6,044,284	0.52
5,600,000	Kazakhstan Government Bond, Reg. S 1.5% 09/30/2034	KAZ	EUR	5,649,000	0.48
9,100,000	Suriname Government International Bond, Reg. S 12.875% 12/30/2023 <sup>§</sup>	SUR	USD	5,349,468	0.46
639,895,200	Kenya Government Bond 11% 09/15/2025	KEN	KES	5,060,257	0.43
5,750,000	Honduras Government Bond, Reg. S 5.625% 06/24/2030	HND	USD	4,974,479	0.43
2,335,200,000	Kazakhstan Treasury Bill 0% 01/20/2022	KAZ	KZT	4,642,311	0.40
5,000,000	Ukraine Government Bond, Reg. S 7.375% 09/25/2032	UKR	USD	4,460,680	0.38
4,750,000	Dominican Republic Government Bond, Reg. S 4.875% 09/23/2032	DOM	USD	4,181,307	0.36
486,000,000	Kenya Government Bond 12.5% 01/10/2033	KEN	KES	4,104,103	0.35
4,480,112	Saderea DAC, Reg. S 12.5% 11/30/2026	GHA	USD	3,934,003	0.34
22,500,000	Ghana Government Bond 18.75% 01/24/2022	GHA	GHS	3,218,788	0.28
3,150,000	Paraguay Government Bond, Reg. S 4.95% 04/28/2031	PRY	USD	3,062,387	0.26
353,450,000	Kenya Government Bond 12.5% 05/12/2025	KEN	KES	2,926,272	0.25
2,625,000	North Macedonia Government Bond, Reg. S 3.675% 06/03/2026	MKD	EUR	2,855,315	0.24
3,000,000	Armenia Government Bond, Reg. S 3.6% 02/02/2031	ARM	USD	2,436,569	0.21
2,350,000	Ukraine Government Bond, Reg. S, FRN 1.258% 05/31/2040	UKR	USD	2,147,468	0.18
61,959,790	Uruguay Government Bond, FRN 3.875% 07/02/2040	URY	UYU	1,396,825	0.12
464,893	Bosnia & Herzegovina Government Bond, Reg. S, FRN 0.25% 12/20/2021	BIH	EUR	465,060	0.04
				747,326,041	63.86
<b>Quasi-Sovereign Bonds</b>					
13,600,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	15,965,146	1.36
11,400,000	Russian Railways, Reg. S 5.7% 04/05/2022	RUS	USD	10,069,853	0.86
37,346,000,000	Empresa de Telecomunicaciones de Bogota, Reg. S 7% 01/17/2023	COL	COP	8,585,555	0.73
3,947,500,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	8,035,059	0.69
21,400,000	Development Bank of the Republic of Belarus JSC, Reg. S 12% 05/15/2022	BLR	BYN	7,584,712	0.65
8,848,910	Provincia de Neuquen Argentina, Reg. S 5.17% 05/12/2030*	ARG	USD	7,062,210	0.60
78,500,000,000	Ipoteka-Bank ATIB, Reg. S 16% 04/16/2024	UZB	UZS	6,432,812	0.55
23,250,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028*	COL	COP	5,588,934	0.48
5,951,461	Oilflow SPV 1 DAC, Reg. S 12% 01/13/2022	IRL	USD	5,187,384	0.44
18,035,835,278	PA Autopista Rio Magdalena, Reg. S, FRN 6.05% 06/15/2036	COL	COP	3,884,513	0.33
65,120	Province of Salta Argentina, Reg. S 9.5% 03/16/2022*	ARG	USD	53,238	0.02
				78,449,416	6.71
<b>Supranational</b>					
185,000,000,000	Inter-American Development Bank, Reg. S 8.01% 12/11/2021	SP	IDR	11,342,091	0.97
160,000,000,000	European Bank for Reconstruction & Development 6.45% 12/13/2022	SP	IDR	9,990,559	0.85
100,000,000	Asian Infrastructure Investment Bank (The), Reg. S 17.5% 09/14/2022	SP	TRY	8,869,357	0.76
7,950,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	7,507,967	0.64
5,200,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	4,999,441	0.43
68,000,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	4,334,848	0.37
60,000,000,000	Inter-American Development Bank 5.5% 02/07/2023	SP	IDR	3,713,200	0.32
38,000,000	European Bank for Reconstruction & Development, Reg. S 10% 09/28/2022	SP	TRY	3,234,940	0.27

**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
18,500,000	Asian Development Bank 14% 02/16/2022	SP	TRY	1,641,896	0.14
				55,634,299	4.75
	<b>TOTAL BONDS</b>			1,032,848,957	88.26
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>			1,034,827,263	88.43
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
12,504,923	UEP Penonome II SA, Reg. S 6.5% 10/01/2038	PAN	USD	11,333,188	0.97
	Telecommunications Services of Trinidad & Tobago Ltd., Reg. S				
11,900,000	8.875% 10/18/2029	TTO	USD	10,958,367	0.93
11,750,000	Fidelity Bank plc, Reg. S 10.5% 10/16/2022	NGA	USD	10,723,494	0.92
9,100,000	MC Brazil Downstream Trading SARL, Reg. S 7.25% 06/30/2031	BRL	USD	7,675,837	0.66
5,400,000	Fidelity Bank plc, Reg. S 7.625% 10/28/2026	NGA	USD	4,592,733	0.39
3,500,000	CSN Inova Ventures, Reg. S 6.75% 01/28/2028	BRL	USD	3,219,461	0.27
3,600,000	Braskem Idesa SAPI, Reg. S 6.99% 02/20/2032	MEX	USD	3,192,318	0.27
				51,695,398	4.41
	<b>Government and Municipal Bonds</b>				
1,480,000,000	Banque Centrale de Tunisie International Bond 4.2% 03/17/2031	TUN	JPY	7,246,647	0.62
4,492,077	IIRSA Norte Finance Ltd., Reg. S 8.75% 05/30/2024	PER	USD	4,234,071	0.36
2,570,000	FHLB 0% 11/01/2021	USA	USD	2,223,376	0.19
390,000,000	Banque Centrale de Tunisie International Bond 4.3% 08/02/2030	TUN	JPY	1,924,374	0.16
3,489,000	Peru Government Bond, Reg. S 6.35% 08/12/2028	PER	PEN	801,745	0.07
100,000,000	Banque Centrale de Tunisie International Bond 3.28% 08/09/2027	TUN	JPY	608,019	0.05
				17,038,232	1.45
	<b>Quasi-Sovereign Bonds</b>				
22,066,000	Rutas 2 and 7 Finance Ltd., Reg. S 0% 09/30/2036	PRY	USD	14,094,255	1.20
14,191,000	Trinidad Petroleum Holdings Ltd., Reg. S 9.75% 06/15/2026	TTO	USD	13,561,804	1.16
7,900,000	Ecopetrol SA 4.625% 11/02/2031	COL	USD	6,792,777	0.58
5,350,000	CITGO Petroleum Corp., Reg. S 7% 06/15/2025	USA	USD	4,775,843	0.41
13,854,261,354	Fideicomiso PA Costera, Reg. S, FRN 6.25% 01/15/2034	COL	COP	3,270,350	0.28
2,400,000	Citgo Holding, Inc., Reg. S 9.25% 08/01/2024	USA	USD	2,110,719	0.18
				44,605,748	3.82
	<b>TOTAL BONDS</b>			113,339,378	9.68
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>			113,339,378	9.68
	<b>TOTAL INVESTMENTS</b>			<b>1,148,166,641</b>	<b>98.11</b>

§ These securities are currently in default

\* Could also be classified as Municipals

## Schedule of Investments, October 31, 2021

## 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				
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
70,000,000	HDFC Bank Ltd., Reg. S 8.1% 03/22/2025	IND	INR	970,037	2.65
1,000,000	Chile Electricity PEC SpA, Reg. S 0% 01/25/2028	CHL	USD	821,905	2.24
750,000	Cencosud SA, Reg. S 4.375% 07/17/2027	CHL	USD	798,188	2.18
700,000	Suzano Austria GmbH 3.75% 01/15/2031	BRL	USD	701,897	1.92
	Banco Inbursa SA Institucion De Banca Multiple Grupo Financiero				
650,000	Inbursa, Reg. S 4.375% 04/11/2027	MEX	USD	688,188	1.88
750,000	Shimao Group Holdings Ltd., Reg. S 5.2% 01/16/2027	CHN	USD	681,633	1.86
700,000	Country Garden Holdings Co. Ltd., Reg. S 4.2% 02/06/2026	CHN	USD	662,171	1.81
	International Container Terminal Services, Inc., Reg. S				
500,000	4.75% 06/17/2030	PHL	USD	553,063	1.51
500,000	Bharti Airtel Ltd., Reg. S 4.375% 06/10/2025	IND	USD	534,467	1.46
500,000	Adani Electricity Mumbai Ltd., Reg. S 3.867% 07/22/2031	IND	USD	486,996	1.33
400,000	Alibaba Group Holding Ltd. 3.4% 12/06/2027	CHN	USD	424,927	1.16
3,520,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	175,026	0.48
				7,498,498	20.48
	<b>Government and Municipal Bonds</b>				
1,275,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	1,428,298	3.90
54,294,334	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	1,362,606	3.72
26,950,000	Mexican Bonos 8% 11/07/2047	MEX	MXN	1,317,420	3.60
79,239,000	Russian Federal Bond - OFZ 7.65% 04/10/2030	RUS	RUB	1,091,940	2.98
600,000	Russian Foreign Bond - Eurobond, Reg. S 5.625% 04/04/2042	RUS	USD	780,378	2.13
550,000	Romania Government Bond, Reg. S 6.125% 01/22/2044	ROU	USD	718,205	1.96
13,256,847	Mexican Udibonos 4% 11/30/2028	MEX	MXN	697,296	1.90
550,000	Kazakhstan Government Bond, Reg. S 4.875% 10/14/2044	KAZ	USD	675,210	1.84
600,000	Romania Government Bond, Reg. S 4.375% 08/22/2023	ROU	USD	635,580	1.74
2,025,000,000	Colombia Government Bond 9.85% 06/28/2027	COL	COP	618,997	1.69
600,000	Panama Government Bond 3.362% 06/30/2031	PAN	USD	594,900	1.62
475,000	Colombia Government Bond 3% 01/30/2030	COL	USD	448,739	1.23
400,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	426,944	1.17
400,000	Panama Government Bond 3.75% 04/17/2026	PAN	USD	425,652	1.16
179,600,000	Kazakhstan Treasury Bill 0% 01/20/2022	KAZ	KZT	412,702	1.13
411,679	SPARC EM SPC Panama Metro Line 2 SP, Reg. S 0% 12/05/2022	PAN	USD	409,173	1.12
275,000	Peru Government Bond 2.78% 12/01/2060	PER	USD	237,548	0.65
220,000	Mexico Government Bond 2.659% 05/24/2031	MEX	USD	212,872	0.58
200,000	Hungary Government Bond, Reg. S 3.125% 09/21/2051	HUN	USD	195,253	0.53
189,658	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	182,692	0.50
100,000	Peru Government Bond 1.862% 12/01/2032	PER	USD	91,061	0.25
				12,963,466	35.40
	<b>Quasi-Sovereign Bonds</b>				
725,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	983,767	2.69
800,000	Comision Federal de Electricidad, Reg. S 3.875% 07/26/2033	MEX	USD	773,552	2.11
700,000	TNB Global Ventures Capital Bhd., Reg. S 3.244% 10/19/2026	MYS	USD	734,405	2.00
700,000	China Construction Bank Corp., Reg. S, FRN 2.45% 06/24/2030	CHN	USD	703,444	1.92
675,000	Ecopetrol SA 4.125% 01/16/2025	COL	USD	699,182	1.91
500,000	Autoridad del Canal de Panama, Reg. S 4.95% 07/29/2035	PAN	USD	615,858	1.68
400,000	Indonesia Asahan Aluminium Persero PT, Reg. S 5.45% 05/15/2030	IDN	USD	457,752	1.25
387,759	Lima Metro Line 2 Finance Ltd., Reg. S 5.875% 07/05/2034	PER	USD	446,140	1.21
1,600,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028*	COL	COP	444,577	1.21
400,000	State Grid Overseas Investment BVI Ltd., Reg. S 3.5% 05/04/2027	CHN	USD	433,882	1.19
400,000	Huarong Finance II Co. Ltd., Reg. S 4.625% 06/03/2026	CHN	USD	393,000	1.07
350,000	CNAC HK Finbridge Co. Ltd., Reg. S 3.875% 06/19/2029	CHN	USD	371,366	1.01
130,000,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	305,866	0.83
250,000	Russian Railways, Reg. S 5.7% 04/05/2022	RUS	USD	255,258	0.70
200,000	Bank Mandiri Persero Tbk. PT, Reg. S 4.75% 05/13/2025	IDN	USD	219,699	0.60
				7,837,748	21.38
	<b>Supranational</b>				
14,410,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	1,061,819	2.90
700,000	African Export-Import Bank (The), Reg. S 3.994% 09/21/2029	SP	USD	731,500	2.00
600,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	654,978	1.79
	Asian Infrastructure Investment Bank (The), Reg. S				
3,900,000	17.5% 09/14/2022	SP	TRY	399,832	1.09
5,000,000,000	Inter-American Development Bank 5.5% 02/07/2023	SP	IDR	357,675	0.98

**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
2,700,000,000	Inter-American Development Bank, Reg. S 8.01% 12/11/2021	SP	IDR	191,340	0.52
	European Bank for Reconstruction & Development				
2,200,000,000	6.45% 12/13/2022	SP	IDR	158,787	0.43
				3,555,931	9.71
	<b>TOTAL BONDS</b>			31,855,643	86.97
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			31,855,643	86.97
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
750,000	Sociedad Quimica y Minera de Chile SA, Reg. S 4.375% 01/28/2025	CHL	USD	805,073	2.20
730,000	Banco Santander Chile, Reg. S 3.177% 10/26/2031	CHL	USD	732,372	2.00
600,000	St Marys Cement, Inc. Canada, Reg. S 5.75% 01/28/2027	BRL	USD	678,873	1.85
450,000	Alpek SAB de CV, Reg. S 4.25% 09/18/2029	MEX	USD	476,887	1.30
400,000	Credicorp Ltd., Reg. S 2.75% 06/17/2025	PER	USD	407,839	1.12
400,000	Kimberly-Clark de Mexico SAB de CV, Reg. S 2.431% 07/01/2031	MEX	USD	397,194	1.09
				3,498,238	9.56
	<b>Government and Municipal Bonds</b>				
100,000	FHLB 0% 11/01/2021	USA	USD	100,000	0.27
279,000	Peru Government Bond, Reg. S 6.35% 08/12/2028	PER	PEN	74,107	0.20
				174,107	0.47
	<b>Quasi-Sovereign Bonds</b>				
1,072,332,729	Fideicomiso PA Costera, Reg. S, FRN 6.25% 01/15/2034	COL	COP	292,591	0.80
200,000	Fideicomiso PA Costera, Reg. S 6.75% 01/15/2034	COL	USD	211,167	0.57
				503,758	1.37
	<b>TOTAL BONDS</b>			4,176,103	11.40
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>				
				4,176,103	11.40
	<b>TOTAL INVESTMENTS</b>			36,031,746	98.37

\* Could also be classified as Municipals



## Schedule of Investments, October 31, 2021

## 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 NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	<b>SENIOR FLOATING RATE INTEREST</b>				
	<b>Personal Products</b>				
7,524,116	FGL operating Co. LLC 10% 05/16/2022**.§	USA	USD	1,014,078	19.56
				1,014,078	19.56
	<b>TOTAL SENIOR FLOATING RATE INTEREST</b>			1,014,078	19.56
	<b>SHARES</b>				
	<b>Aerospace &amp; Defense</b>				
27,760	Remington Outdoor Co., Inc., Litigation Units**	USA	USD	—	—
				—	—
	<b>Health Care Services</b>				
1,912,103	Millennium Corporate Claim Trust, Escrow Account**	CHN	USD	—	—
1,912,103	Millennium Lender Claim Trust, Escrow Account**	IND	USD	—	—
				—	—
	<b>Paper &amp; Forest Products</b>				
151,177	Appvion, Inc.**	USA	USD	3,876,692	74.79
				3,876,692	74.79
	<b>TOTAL SHARES</b>			3,876,692	74.79
	<b>TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET</b>				
				4,890,770	94.35
	<b>TOTAL INVESTMENTS</b>			4,890,770	94.35

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

§ These securities are currently in default

\*\* These securities are submitted to a Fair Valuation

## Schedule of Investments, October 31, 2021

## 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				
	<b>SHARES</b>				
	<b>Specialty Retail</b>				
1	Party City Holdco, Inc.	USA	USD	6	—
				6	—
	<b>TOTAL SHARES</b>			6	—
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>			6	—
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	<b>SHARES</b>				
	<b>Oil, Gas &amp; Consumable Fuels</b>				
294	Quaternorth Energy Holding, Inc.	USA	USD	30,723	1.93
				30,723	1.93
	<b>TOTAL SHARES</b>			30,723	1.93
	<b>BONDS</b>				
	<b>Government and Municipal Bonds</b>				
100,000	FHLB 0% 11/01/2021	USA	USD	100,000	6.28
				100,000	6.28
	<b>TOTAL BONDS</b>			100,000	6.28
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>			130,723	8.21
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	<b>SHARES</b>				
	<b>Aerospace &amp; Defense</b>				
911	Remington Outdoor Co., Inc., Litigation Units**	USA	USD	—	—
				—	—
	<b>TOTAL SHARES</b>			—	—
	<b>TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET</b>			—	—
	<b>TOTAL INVESTMENTS</b>			<b>130,729</b>	<b>8.21</b>

\* This Fund was put into liquidation effective May 10, 2021

\*\* These securities are submitted to a Fair Valuation



## Schedule of Investments, October 31, 2021

## 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				
	<b>SHARES</b>				
	<b>Paper &amp; Forest Products</b>				
757,301	Appvion, Inc.**	USA	USD	19,419,770	92.82
				<u>19,419,770</u>	<u>92.82</u>
	<b>TOTAL SHARES</b>			<u>19,419,770</u>	<u>92.82</u>
	<b>TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET</b>				
				19,419,770	92.82
	<b>TOTAL INVESTMENTS</b>			<u><b>19,419,770</b></u>	<u><b>92.82</b></u>

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

\*\* These securities are submitted to a Fair Valuation

## Additional Information - Unaudited

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

### 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 following funds are in liquidation and outside of the risk monitoring scope:

- *FTSIIF-Franklin Floating Rate II Fund*
- *FTSIIF-Franklin Upper Tier Floating Rate Fund*
- *FTSIIF-Franklin Multi-Sector Credit Income Fund*

**Liquidity Risk**

*As at October 31, 2021 remaining assets of the FTSIIF-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 2021.*

Account	Gross Method as of October 31, 2021	Max leverage under gross method	Commitment method as of October 31, 2021	Max leverage under commitment method
Franklin Emerging Market Debt Opportunities II Fund	100.52%	210%	100.00%	170%
Franklin Emerging Market Investment Grade Debt Fund	99.48%	210%	100.00%	170%

**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, 2021*,**	€ 528,045
Total amount of variable remuneration paid by FTIS and its delegates during the year ended September 30, 2021*,**	€ 267,618
Number of staff of FTIS and in its delegates as at September 30, 2021	480
Total amount of compensation paid by FTIS and its delegates to Senior managers during the year ended September 30, 2021*,**	€ 350,395
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, 2021*,**	€ 147,997

\* 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, 2021.

\*\* 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, 2021.

### **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) and it had no exposure to total return swap contracts during the year.

### **Collateral**

As at October 31, 2021, the Company hold no cash collateral related to OTC derivatives.

As at October 31, 2021, Franklin Emerging Market Debt Opportunities II Fund reports cash collateral pledge related to OTC derivatives amounted to USD 5,060,000 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](http://www.franklintempleton.lu)

Please note that the website mentioned above is directed at residents within the country stated on this 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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