

AUDITED ANNUAL REPORT

# FRANKLIN TEMPLETON SERIES II FUNDS

société d'investissement à capital variable

October 31, 2022



FRANKLIN  
TEMPLETON



# FRANKLIN TEMPLETON SERIES II FUNDS

société d'investissement à capital variable

## AUDITED ANNUAL REPORT

For the year ended October 31, 2022

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.



# Contents

---

<b>General Information</b> .....	<b>6</b>
<b>Report of the Board of Directors</b> .....	<b>8</b>
<b>Report of the Investment Managers</b> .....	<b>9</b>
<b>Independent Auditor's Report</b> .....	<b>13</b>
<b>Fund Performance</b> .....	<b>15</b>
<b>Statement of Net Assets</b> .....	<b>16</b>
<b>Statement of Operations and Changes in Net Assets</b> .....	<b>17</b>
<b>Statistical Information</b> .....	<b>19</b>
<b>Notes to Financial Statements</b> .....	<b>20</b>
<b>Schedule of Investments</b> .....	<b>30</b>
Franklin Emerging Market Debt Opportunities II Fund .....	30
Franklin Emerging Market Investment Grade Debt Fund .....	33
<b>Additional Information - Unaudited</b> .....	<b>35</b>
<b>Franklin Templeton Office Directory</b> .....	<b>38</b>
<b>Information for Qualified Investors in Switzerland</b> ..	<b>39</b>

## General Information

As at October 31, 2022

### **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**

*A. Craig Blair* (Appointed on November 15, 2021)

Director

FRANKLIN TEMPLETON INTERNATIONAL SERVICES  
S.à r.l.

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

*William Jackson*

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT  
LIMITED

5 Morrison Street, Edinburgh EH3 8BH,  
Scotland

*Hans-J. Wisser*

Independent Director

Kälberstüchsweg 37  
61350 Bad Homburg  
Germany

### **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 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 SE, Luxembourg Branch  
European Bank and Business Centre  
6C route de Trèves, L-2633 Senningerberg  
Grand Duchy of Luxembourg

### **CENTRAL ADMINISTRATOR:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES  
S.à r.l.

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

### **ADMINISTRATIVE AGENT:**

J.P. Morgan SE, Luxembourg Branch  
European Bank and Business Centre  
6C route de Trèves, L-2633 Senningerberg  
Grand Duchy of Luxembourg

### **REGISTRAR AND TRANSFER AGENT:**

VIRTUS PARTNERS FUND SERVICES LUXEMBOURG  
S.à r.l. (With effect from October 3, 2022)  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

**AUDITOR:**

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

**LEGAL ADVISERS:**

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

**INVESTMENT MANAGERS PER FUND:**

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

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

# Report of the Board of Directors

The Board of Directors of Franklin Templeton Series II Funds ("FTSIIF" or the "Company") submits the following report for the financial year ended October 31, 2022.

## 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, 2022, FTSIIF comprised the following three sub-funds:

- Franklin Templeton Series II Funds – Franklin Emerging Market Debt Opportunities II Fund
- 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 and closed on November 29, 2022)

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

At financial year ended October 31, 2022, FTSIIF had net assets of USD 917.6 million, compared to USD 1.42 billion under management as at October 31, 2021.

## Board of Directors

The Board of Directors is responsible for 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, 2022, the Directors were the following:

- A. Craig Blair
- Caroline Carroll
- William Jackson
- Hans-J. Wisser

## Notable events

Franklin Floating Rate II Fund was put into liquidation effective August 11, 2020 and closed on November 29, 2022.

Franklin Multi-Sector Credit Income Fund was put into liquidation effective May 10, 2021 and closed on March 23, 2022.

Franklin Upper Tier Floating Rate Fund was put into liquidation effective January 17, 2019 and closed on December 16, 2021.

**THE BOARD OF DIRECTORS**  
Luxembourg, November 2022



# Report of the Investment Managers

## Franklin Emerging Market Debt Opportunities II Fund

### Emerging market (EM) hard-currency government bonds<sup>1</sup>: -24.38%

- The spread-to-worst of US-dollar EM government bonds widened 185 basis points (bps) to 543 bps during the period under review.
- Global inflation and swift central bank monetary tightening were significant drivers of negative fixed income returns over the 12-month period. Consumer prices expanded at multi-decade highs across both developed and EM countries with the US Consumer Price Index reaching 9.1% in June 2022, the highest since 1981. Starting in March, the US Federal Reserve (Fed) raised its short-term policy rate swiftly, increasing it by a total of 300 bps by the end of October. US Treasuries (USTs) sold off, with the 10-year yield rising 250 bps to 4.05% at the end of the period. Most fixed income spread sectors, including EM debt, posted negative absolute returns due to increasing sovereign bond yields. Additionally, concerns that global economies would experience a slowdown, and possibly fall into recession, caused spreads to widen, negatively impacting excess returns for most sectors.
- The February 2022 Russian invasion of Ukraine caused global energy prices to spike, adding volatility to the oil and gas markets. In response to extensive economic sanctions of Western countries against Russia, the country started using natural gas supplies to Western Europe as an economic weapon. The spot price of the Brent crude benchmark increased to as high as US\$128.00 per barrel in June but closed the period at US\$94.83 per barrel.

### EM hard-currency corporate bonds<sup>2</sup>: -21.37%

- The spread-to-worst of the EM corporate index widened 66 bps to 373 bps over the period under review.

### EM local-currency government bonds<sup>3</sup>: -3.51%

- EM local-currency bond yields rose 147 bps to 7.36% during the last 12-month period.
- EM currencies for the most part, outperformed the euro over the year.

### Portfolio Performance: -17.94%, net of fees

The portfolio performed better than EM hard-currency corporate and EM hard-currency government bonds, though it underperformed EM local-currency government bonds over the period under review, as per the above indices, all in euros.

### Positive factors (in absolute terms)

#### 1. Russian local-currency bonds

On average the portfolio was underweight Russian US-dollar bonds over the period which contributed to positive relative returns for the period. Following the Russian invasion of Ukraine, Russian external debt was removed from JP Morgan bond indices at the end of March 2022. Strong economic sanctions imposed by Western nations removed the ability for Russian issuers to pay coupons and maturities using normal methods, causing the sovereign to default in June 2022. Trading of the external debt was also curtailed by the sanctions, but some liquidity was restored at much lower prices.

<sup>1</sup>JP Morgan Emerging Markets Bond Index Global Diversified (EMBIGD) B-/B3 and Higher index, hedged into euros

<sup>2</sup>ICE BofA Emerging Markets Corporate Plus Index, hedged, in euros

<sup>3</sup>JP Morgan Government Bond Index–Emerging Markets (GBI–EM) Broad Diversified (unhedged, in euros) The calculation of the allocation effect has been changed such that the country return is compared with the benchmark-average return, whereas the calculation made no such comparison in attributions run for reporting periods ending prior to May 2022.

## 2. Supranational bonds denominated in Indonesian rupiah

The portfolio held a relatively large off-benchmark position in short-dated, highly rated supranational bonds denominated in Indonesian rupiah (IDR). Although yields were approximately 280 bps higher, because of their short duration prices were only down 3-4%. When factoring in the positive carry as well, the bonds significantly outperformed the index and contributed to positive returns.

### Negative factors (in absolute terms)

#### 1. Chinese US-dollar bonds

Our holdings of Chinese US dollar-denominated corporate bonds hurt returns. Real estate developers Shimao Group and Country Garden were negatively affected by financial difficulties and a downturn in the Chinese real estate market. In August, the Chinese government announced that it would start to offer quasi sovereign-backed guarantees on onshore bonds, but there was little follow-through, which erased the gains seen immediately following the announcement.

#### 2. Belarus US-dollar bonds

US-dollar denominated Belarus sovereign bond valuations fell over the 12-month period.

Belarusian bonds mirrored Russian debt over the period as it too was expelled from the important JP Morgan EM indices.

### Portfolio Changes

- Please see our monthly commentaries for a review of purchases and sales.

### Outlook

EM debt has remained volatile over the past few months, though October saw positive total returns after including the strong performance recorded by the high-yield (HY) sector. Like most other risk assets, the performance of EM debt continues to be dictated by events in developed markets, in particular US monetary policy and also the strength of the US dollar. Whilst valuations in the asset class screen as fundamentally cheap, this difficult macro backdrop needs to stabilise before a period of consolidation is to be expected.

Within the asset class, the past period has seen further unsynchronised returns in terms of ratings categories, with outperformance from lower-rated assets, although both investment-grade (IG) and HY EM debt closed October with very similar year-to-date returns. IG EM debt is much more sensitive to duration and rising US rates, resulting in its underperformance as UST yields continued to rise during the month. HY EM debt has been more impacted by second-round effects and the overall tightening of external financial conditions. Another reason for HY's poor performance has been idiosyncratic factors, such as Sri Lanka's descent into political chaos and Ghana's decision to seek assistance from the International Monetary Fund (IMF) – both of which were interpreted as signals of multiple country credit problems down the line, an incorrect conclusion still, in our opinion.

Also weighing on sentiment were Russia and Belarus formally defaulting on sovereign external debt payments as sanctions prevented access to the international financial system, while Ukraine received a two-year grace period on external debt service ahead of large payments that were previously due in September.

Technical factors have remained largely unchanged, with the primary market remaining effectively shut and year-to-date issuance for international debt standing at roughly half of where we were up to at this point in 2021. More than half of the issuance so far this year is derived from Asia. Estimates of flows out of the asset class reached US\$70 billion by the end of September, including a 16-week streak of outflows from the beginning of April.

On the political front, Latin America continues to take centre stage. June saw Colombia's first left-wing president come to power, continuing the recent trend of a move to a stronger socialist agenda across the continent. Former president Lula da Silva has emerged the winner in Brazil's run-off election at the end of October, signaling more of the same. The ongoing war in Ukraine continues to focus western powers but the unexpected visit by US House Speaker Nancy Pelosi, to Taiwan drew swift and strong condemnation by Beijing and increased tensions further still. Pending US mid-term elections are unlikely to bring any relief on this front and China's key role in many EM economies now makes these tensions particularly damaging for the asset class.

Given the lack of clear direction in the trade-off between inflation and growth in advanced economies, our view towards EM debt is largely unchanged, with expectations of a move sideways during the near term, albeit characterised by periods of volatility. Once global macro factors begin to calm, EM debt should regain traction as the process of recovery from events of the past two-and-a-half years sets in.

## Franklin Emerging Market Investment Grade Debt Fund

### Market overview

During the review period, emerging market bonds fell sharply, impacted by the escalation of geopolitical tensions between Russia and Ukraine, which ultimately led to outright conflict commencing in late February 2022. Additionally, multi-decade high inflation and central bank responses caused increased concern that global and local economic recessions may develop over the next year.

Global inflation and swift central bank monetary tightening were significant drivers of negative fixed income returns over the 12-month period. Consumer prices expanded at multi-decade highs across both developed and EM countries with the US Consumer Price Index reaching 9.1% in June 2022, the highest since 1981. Starting in March, the US Federal Reserve (Fed) raised its short-term policy rate swiftly, increasing it by a total of 300 bps by the end of October. USTs sold off, with the 10-year yield rising 250 bps to 4.05% at the end of the period. Most fixed income spread sectors, including EM debt, posted negative absolute returns due to increasing sovereign bond yields. Additionally, concerns that global economies would experience a slowdown, and possibly fall into recession, caused spreads to widen, negatively impacting excess returns for most sectors.

The February 2022 Russian invasion of Ukraine caused global energy prices to spike, adding volatility to the oil and gas markets. In response to extensive economic sanctions of Western countries against Russia, the country started using natural gas supplies to Western Europe as an economic weapon. The spot price of the Brent crude benchmark increased to as high as US\$128.00 per barrel in June but closed the period at US\$94.83 per barrel.

- Prices for EM hard-currency investment-grade government debt fell 24.06% in the 12-months under review, as per the JP Morgan EM Bond Index Global Diversified—Investment Grade, in US dollars. Benchmark 10-year US Treasury yields rose 250 bps during the review period, to 4.05% by the end of October 2022. Over that same timeframe, EM hard-currency IG government bond risk spreads widened 31 bps to 181 bps, on a spread-to-worst basis.
- EM hard-currency IG corporate bonds declined 18.10% during the period under review, as per the ICE BofA Emerging Markets High Grade Corporate Plus Index, hedged into US dollars. EM IG corporate bonds' spreads over US Treasuries also widened, by 64 bps to 213 bps.
- Prices for EM local-currency IG sovereign debt fell 22.59% over the review period, as per the JP Morgan GBI-EM Global Diversified—Investment Grade, in US dollars. Most EM currencies sold off, relative to the strong US dollar, while EM local-currency IG yields rose 168 bps to 6.37% during the 12 months under review.

### 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 declined 21.58% (I [acc] shares in US dollars), net of fees, for the 12-month period ending 31 October 2022, this compared with a -24.06% return for EM Bond Index Global Diversified—Investment Grade, a return of -18.10 % for the ICE BofA Emerging Markets High Grade Corporate Plus Index and a negative return of 22.59% for the GBI-EM Global Diversified—Investment Grade, all in US dollars.

### Main contributors

#### **1. Underweight allocation to Russian US-dollar bonds**

On average the fund was underweight Russian US-dollar bonds over the period, which contributed to positive relative returns for the period. Following the Russian invasion of Ukraine, Russian external debt was removed from JP Morgan bond indices at the end of March 2022. Strong economic sanctions imposed by Western nations removed the ability for Russian issuers to pay coupons and maturities using normal methods, causing the sovereign to default in June 2022. Trading of the external debt was also curtailed by the sanctions, but some liquidity was restored at much lower prices.

#### **2. Overweight allocation to Mexican local-currency and US-dollar bonds**

Both Mexican local-currency and US dollar-denominated debt performed well over the 12-month period. The Bank of Mexico (Banxico) moved aggressively, raising its short-term policy rate to 9.25%. The bank's swift action was received favorably by the market as differential interest rates with developed nations remained attractive. The fund benefited from holding inflation-linked local-currency securities in this environment.

### Main detractors

#### **1. Security selection among Chinese US-dollar bonds**

Our holdings of Chinese US dollar-denominated corporate bonds hurt returns. Real estate developers Shimao Group and Country Garden were negatively affected by financial difficulties and a downturn in the Chinese real estate market. In August, the Chinese government announced that it would start to offer quasi sovereign-backed guarantees on onshore bonds, but there was little follow-through, which erased the gains seen immediately following the announcement.

#### **2. Lack of exposure to Middle East sovereign US-dollar bonds**

Sovereign US-dollar bonds from Middle East nations have a duration lower than that of the overall benchmark, which caused bonds to outperform the index over the 12-month period. Additionally, oil-producing nations benefitted from the reduction of Russian oil exports linked to extensive Western economic sanctions imposed following the invasion of Ukraine.

**THE INVESTMENT MANAGERS**

November 2022

## 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 31 October 2022, 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 31 October 2022, 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 23 July 2016 on the audit profession (the "Law of 23 July 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 23 July 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 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s or any of its sub-funds’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Fund or any of its sub-funds (except for the sub-fund(s) where a decision or an intention to close exists) to cease to continue as a going concern.
- In respect of sub-fund(s) where a decision or an intention to close exists, we conclude on the appropriateness of the Board of Directors of the Fund 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

## Fund Performance

Percentage change to October 31, 2022

	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	(4.2)	(17.9)	(14.3)	(10.9)	8.5
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR	24 Feb 12	(1.8)	(8.4)	(7.1)	4.9	42.9
Franklin Emerging Market Investment Grade Debt Fund	I (acc) EUR-H1 (hedged)	24 Feb 12	(9.5)	(23.7)	(22.6)	(21.0)	(10.4)
Franklin Emerging Market Investment Grade Debt Fund	I (acc) USD	24 Feb 12	(7.9)	(21.6)	(17.6)	(11.0)	5.0
Franklin Emerging Market Investment Grade Debt Fund	Y (Mdis) USD	12 Jan 18	(7.6)	(21.0)	(15.7)	–	(9.5)

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, 2022

	Total	Franklin Emerging Market Debt Opportunities II Fund	Franklin Emerging Market Investment Grade Debt Fund	Franklin Floating Rate II Fund <sup>1</sup>
	(USD)	(EUR)	(USD)	(USD)
<b>ASSETS</b>				
Investments in securities at market value (note 2(b))	833,390,019	814,545,491	28,344,067	–
Cash at bank and at brokers	71,289,498	70,418,865	1,384,286	307,599
Amounts receivable on sale of investments	1,405	–	–	1,405
Interest and dividends receivable, net	20,446,361	20,181,438	500,287	–
Unrealised profit on forward foreign exchange contracts (notes 2(c), 3)	114,035	91,084	23,677	336
Other receivables	404,320	391,663	7,279	9,946
<b>TOTAL ASSETS</b>	<b>925,645,638</b>	<b>905,628,541</b>	<b>30,259,596</b>	<b>319,286</b>
<b>LIABILITIES</b>				
Investment management fees payable (note 4)	552,868	559,344	47	–
Unrealised loss on forward foreign exchange contracts (notes 2(c), 3)	6,319,811	6,394,359	23	2
Taxes and expenses payable	1,180,701	998,923	82,321	111,107
<b>TOTAL LIABILITIES</b>	<b>8,053,380</b>	<b>7,952,626</b>	<b>82,391</b>	<b>111,109</b>
<b>TOTAL NET ASSETS</b>	<b>917,592,258</b>	<b>897,675,915</b>	<b>30,177,205</b>	<b>208,177</b>
<b>THREE YEAR ASSET SUMMARY</b>				
October 31, 2021	1,417,103,888	1,170,287,434	36,629,716	5,183,632
October 31, 2020	1,347,591,234	1,091,235,850	27,733,352	20,164,366
October 31, 2019	1,293,686,591	881,086,941	39,092,495	212,186,294

<sup>1</sup>This Fund was put into liquidation effective August 11, 2020 and closed on November 29, 2022



# Statement of Operations and Changes in Net Assets

For the year ended October 31, 2022

	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>1,417,103,888</b>	<b>1,170,287,434</b>	<b>36,629,716</b>
Currency translation adjustment	(196,137,963)	—	—
	1,220,965,925	1,170,287,434	36,629,716
<b>INCOME</b>			
Interest on bonds (net of withholding taxes) (note 2(h))	76,829,120	76,180,392	1,531,612
Bank interest (note 2(h))	193,402	191,110	509
Sundry income (note 2(h))	99,444	54,064	—
<b>TOTAL INCOME</b>	<b>77,121,966</b>	<b>76,425,566</b>	<b>1,532,121</b>
<b>EXPENSES</b>			
Investment management fees (note 4)	7,199,008	7,279,489	677
Administration and transfer agency fees	1,712,616	1,723,883	182
Directors fees	5,996	5,885	180
Subscription tax (note 6)	101,920	99,896	3,110
Custodian fees	469,830	406,409	32,124
Audit fees	93,383	85,145	9,231
Printing and publishing expenses	36,766	27,924	4,174
Bank charges	42,596	43,099	—
Maintenance and service charges (note 7)	1,826	—	—
Other charges (note 12)	144,239	129,940	4,239
<b>TOTAL EXPENSES</b>	<b>9,808,180</b>	<b>9,801,670</b>	<b>53,917</b>
Expenses reimbursement (note 9)	(444,567)	(399,229)	(15,987)
<b>NET EXPENSES</b>	<b>9,363,613</b>	<b>9,402,441</b>	<b>37,930</b>
<b>NET INCOME/(EXPENSES) FROM INVESTMENTS</b>	<b>67,758,353</b>	<b>67,023,125</b>	<b>1,494,191</b>
Net realised profit/(loss) on sale of investments (note 8)	(72,079,994)	(67,982,672)	(1,214,756)
Net realised profit/(loss) on forward foreign exchange contracts	(123,785,251)	(125,094,192)	(141,519)
Net realised profit/(loss) on foreign exchange transactions	3,378,969	3,426,745	(18,727)
<b>NET REALISED PROFIT/(LOSS) FOR THE YEAR</b>	<b>(124,727,923)</b>	<b>(122,626,994)</b>	<b>119,189</b>
Change in net unrealised appreciation/(depreciation) on:			
Investments (note 8)	(97,144,597)	(97,798,017)	(7,934,842)
Forward foreign exchange contracts	6,538,339	6,647,995	23,600
Foreign exchange transactions	295,900	302,209	(2,461)
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>(215,038,281)</b>	<b>(213,474,807)</b>	<b>(7,794,514)</b>
<b>MOVEMENT OF CAPITAL</b>			
Issue of shares	71,320,988	69,289,030	2,813,138
Redemption of shares	(98,322,440)	(67,851,138)	(6,953)
Equalisation (note 13)	(4,299,303)	(4,354,683)	6,186
	(31,300,755)	(2,916,791)	2,812,371
Dividends paid/accumulated	(57,034,631)	(56,219,921)	(1,470,368)
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL</b>	<b>(88,335,386)</b>	<b>(59,136,712)</b>	<b>1,342,003</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>917,592,258</b>	<b>897,675,915</b>	<b>30,177,205</b>

<sup>1</sup>This Fund was put into liquidation effective August 11, 2020 and closed on November 29, 2022

<sup>2</sup>This Fund was put into liquidation effective May 10, 2021 and closed on March 23, 2022

<sup>3</sup>This Fund was put into liquidation effective January 17, 2019 and closed on December 16, 2021

## Statement of Operations and Changes in Net Assets

For the year ended October 31, 2022

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>5,183,632</b>	<b>1,591,567</b>	<b>20,921,914</b>
—	—	—
5,183,632	1,591,567	20,921,914
4,650	911	—
3,221	678	113
—	—	46,011
<b>7,871</b>	<b>1,589</b>	<b>46,124</b>
—	3,738	—
2,905	810	4,940
—	—	—
—	79	—
—	17,796	18,241
—	—	—
4,892	102	—
—	—	—
1,826	—	—
5,064	6,511	—
<b>14,687</b>	<b>29,036</b>	<b>23,181</b>
(9,947)	(24,052)	(8)
<b>4,740</b>	<b>4,984</b>	<b>23,173</b>
<b>3,131</b>	<b>(3,395)</b>	<b>22,951</b>
(6,627,410)	(34,163)	2,986,167
(36,318)	—	27,882
10,915	—	—
<b>(6,649,682)</b>	<b>(37,558)</b>	<b>3,037,000</b>
6,647,140	35,837	764,728
(119)	—	(55,606)
158	(136)	(346)
<b>(2,503)</b>	<b>(1,857)</b>	<b>3,745,776</b>
624	26,271	—
(4,971,984)	(1,615,981)	(24,667,690)
(1,592)	—	—
<b>(4,972,952)</b>	<b>(1,589,710)</b>	<b>(24,667,690)</b>
—	—	—
<b>(4,972,952)</b>	<b>(1,589,710)</b>	<b>(24,667,690)</b>
<b>208,177</b>	<b>—</b>	<b>—</b>

## Statistical Information

For the year ended October 31, 2022

	Total Expense Ratio October 31, 2022 (See note 15)	Shares Outstanding as at October 31, 2022	Net Asset Value per share as at October 31, 2022	Net Asset Value per share as at October 31, 2021	Net Asset Value per share as at October 31, 2020
<b>Franklin Emerging Market Debt Opportunities II Fund - EUR</b>					
I (Ydis) EUR-H2 (hedged)	0.90%	144,604,156.567	6.21	7.95	7.95
<b>Franklin Emerging Market Investment Grade Debt Fund - USD</b>					
I (acc) EUR	0.95%	743.080	14.29	15.60	15.29
I (acc) EUR-H1 (hedged)	0.95%	7,865.896	8.96	11.75	11.72
I (acc) USD	0.95%	500.029	10.50	13.39	13.23
Y (Mdis) USD	0.16%	4,156,966.013	7.24	9.59	9.80
<b>Franklin Floating Rate II Fund - USD<sup>1</sup></b>					
A (acc) EUR-H1 (hedged)	0.54%	1,394.264	2.96	7.01	7.56
A (acc) USD	0.55%	13,386.413	4.57	10.92	11.64
A (Mdis) USD	0.55%	11,376.368	2.47	5.91	6.30
I (acc) EUR-H1 (hedged)	0.17%	1,809.690	3.09	7.28	7.83
I (acc) GBP-H1 (hedged)	0.16%	96.432	3.41	7.89	8.45
I (acc) USD	0.18%	5,262.873	4.80	11.42	12.13
I (Mdis) USD	0.18%	11,836.138	2.59	6.17	6.55
I (Qdis) EUR-H1 (hedged)	0.16%	1,233.605	2.51	5.90	6.35
I (Ydis) CHF-H1 (hedged)	0.16%	96.293	2.76	6.39	6.90
I (Ydis) EUR-H1 (hedged)	0.04%	81.059	2.80	6.60	7.09
I (Ydis) USD	0.01%	4.383	3.08	7.31	7.75
W (acc) EUR-H1 (hedged)	0.17%	2,132.475	3.48	8.18	8.79
W (acc) USD	0.18%	6,151.148	4.04	9.63	10.22
W (Qdis) USD	0.18%	5,913.704	2.91	6.93	7.37
Y (Mdis) USD	0.00%	5.506	3.02	7.19	7.62
<b>Franklin Multi-Sector Credit Income Fund - USD<sup>2</sup></b>					
I (acc) USD	—	—	—	13.26	12.48
<b>Franklin Upper Tier Floating Rate Fund - USD<sup>3</sup></b>					
I (acc) USD SP <sup>4</sup>	—	—	—	19.18	11.73
I (Qdis) CHF-H1 (hedged) SP <sup>4</sup>	—	—	—	14.72	9.09
I (Qdis) EUR-H1 (hedged) SP <sup>4</sup>	—	—	—	15.29	9.42
I (Qdis) USD SP <sup>4</sup>	—	—	—	17.09	10.45
Y (Qdis) USD SP <sup>4</sup>	—	—	—	18.22	11.12

<sup>1</sup>This Fund was put into liquidation effective August 11, 2020 and closed on November 29, 2022

<sup>2</sup>This Fund/share class was put into liquidation effective May 10, 2021 and closed on March 23, 2022

<sup>3</sup>This Fund was put into liquidation effective January 17, 2019 and closed on December 16, 2021

<sup>4</sup>This share class was closed on December 16, 2021

# Notes to Financial Statements

For the year ended October 31, 2022

## 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 closures

– Franklin Multi-Sector Credit Income Fund was closed on March 23, 2022. The remaining amount of cash at bank in USD 47,969 as at October 31, 2022 and will be used to cover cost linked to liquidation.

– Franklin Upper Tier Floating Rate Fund was closed on December 16, 2021. The remaining amount of cash at bank in USD 38,328 as at October 31, 2022 and will be used to cover cost linked to liquidation.

## 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 which is in liquidation (see more details in Note 18), hence the financial statements for this fund 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.

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.

**Note 2 - Significant accounting policies (continued)****(b) Investment in securities (continued)**

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.

In accordance with the provisions of the current prospectus, Market Level Fair Valuation may be implemented to protect the interests of the Fund's shareholders against market timing practices, as market timers may seek to exploit possible delays between the change in the value of a Fund's portfolio holdings and the Net Asset Value of the Fund's Shares in Funds that hold significant investments in foreign securities because certain foreign markets close several hours ahead of the US markets, and in Funds that hold significant investments in small-cap securities, high-yield ("junk") bonds and other types of investments which may not be frequently traded.

**(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 and unrealised gains and losses are included in the "Statement of Operations and Changes in Net Assets". During the year ended October 31, 2022, the Company had no exposure.

**(e) 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.

## Note 2 - Significant accounting policies (continued)

### (e) Credit default swap contracts (continued)

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". During the year ended October 31, 2022, the Company had no exposure.

### (f) 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. During the year ended October 31, 2022, the Company had no exposure.

### (g) 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 year-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, 2022 are as follows:

CHF	1.0014	IDR	15,597.5000	PEN	3.9828
COP	4,938.7500	INR	82.7800	PLN	4.7759
DOP	54.0000	JPY	148.6850	RUB	62.0500
EUR	1.0118	KES	121.3500	UYU	40.5850
GBP	0.8720	KZT	467.1500	UZS	11,169.3800
GEL	2.7623	MXN	19.8157	ZAR	18.3657

The list of the currency abbreviations is available in note 16.

### (h) Income

Dividends are credited to income on their ex-dividend date. Interest income is accrued on a daily basis and includes the amortisation of premiums and accretion of discounts, where applicable. Bank interest is credited to the funds upon receipt. Sundry income are principally comprised of consent fee.

### (i) Charges and expenses

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

### (j) Formation expenses

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

**Note 2 - Significant accounting policies (continued)****(k) 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. During the year ended October 31, 2022, the Company had no exposure.

**(l) 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 reporting date.

**(m) Swing pricing**

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

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

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

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

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

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

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

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

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

## Note 2 - Significant accounting policies (continued)

### (m) Swing pricing (continued)

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. No swing pricing applied as at October 31, 2022.

During the year ended October 31, 2022, swing pricing adjustments affected the Net Asset Value per Share of the following Funds:

- Franklin Emerging Market Debt Opportunities II Fund
- Franklin Emerging Market Corporate Debt Fund

## Note 3 - Forward foreign exchange contracts

As at October 31, 2022, 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 share class hedging:					
EUR	2,355,321	JPY	337,600,000	12/13/2022	53,802
EUR	616,845,047	USD	618,000,000	12/13/2022	(6,394,359)
USD	89,000,000	EUR	89,717,260	12/13/2022	37,282
					<b>(6,303,275)</b>

The above contracts were opened with the below counterparties:

Barclays	(1,229,856)
Citibank	(1,167,139)
Deutsche Bank	(1,129,176)
Morgan Stanley	(1,502,278)
RBC	(1,274,826)
	<b>(6,303,275)</b>

### Franklin Emerging Market Investment Grade Debt Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for efficient portfolio management:					
USD	2,104,873	EUR	2,100,000	12/13/2022	22,522
					<b>22,522</b>
Forward foreign exchange contracts used for share class hedging:					
EUR	71,896	USD	69,965	11/15/2022	1,155
USD	1,819	EUR	1,861	11/15/2022	(23)
					<b>1,132</b>
					<b>23,654</b>

The above contracts were opened with the below counterparties:

Citibank	22,522
J.P. Morgan	1,132
	<b>23,654</b>



**Note 3 - Forward foreign exchange contracts (continued)****Franklin Floating Rate II Fund**

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	262	USD	263	11/15/2022	(2)
EUR	20,149	USD	19,608	11/15/2022	324
GBP	321	USD	356	11/15/2022	12
					<b>334</b>
The above contracts were opened with the below counterparties:					
J.P. Morgan					334
					<b>334</b>

**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 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 existing Funds as at October 31, 2022:

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

	Fee %
Franklin Emerging Market Debt Opportunities II Fund	0.70%
Franklin Emerging Market Investment Grade Debt Fund	0.65%

**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 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, 2022.

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, 2021 to October 31, 2022.

**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 and Y shares may benefit from a reduced rate of 0.01% per annum if all shareholders of these share classes are institutional investors.

## Note 6 - Taxation (continued)

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).

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	57,061,928	178,139	617,884
Realised loss on sale of investments	(125,044,600)	(1,392,895)	(7,245,294)
<b>Net realised profit/(loss) on sale of investments</b>	<b>(67,982,672)</b>	<b>(1,214,756)</b>	<b>(6,627,410)</b>
Change in unrealised profit on investments	134,883,570	323,938	6,647,140
Change in unrealised loss on investments	(232,681,587)	(8,258,780)	—
<b>Change in net unrealised profit/(loss) on investments</b>	<b>(97,798,017)</b>	<b>(7,934,842)</b>	<b>6,647,140</b>

  

	Franklin Multi-Sector Credit Income Fund USD	Franklin Upper Tier Floating Rate Fund USD
Realised profit on sale of investments	61	2,986,167
Realised loss on sale of investments	(34,224)	—
<b>Net realised profit/(loss) on sale of investments</b>	<b>(34,163)</b>	<b>2,986,167</b>
Change in unrealised profit on investments	35,837	764,728
Change in unrealised loss on investments	—	—
<b>Change in net unrealised profit/(loss) on investments</b>	<b>35,837</b>	<b>764,728</b>

**Note 9 - Expenses reimbursement**

On a daily basis, for share classes where the expenses are capped, the level of expenses is calculated and compared to the cap and where the level of expenses is higher than the cap, this difference is booked as a decrease of expense (the “waiver fees”). On a monthly basis the waiver fees are deducted from the fees received by Franklin Templeton International Services S.à r.l.

The amount of waiver fees is disclosed as “Expenses reimbursement” in the “Statement of Operations and Changes in Net Assets”.

**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, 2022, the Company incurred the following transaction costs:

Fund Name	Currency	Amount
Franklin Emerging Market Debt Opportunities II Fund	EUR	138*
Franklin Emerging Market Investment Grade Debt 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.

**Note 12 - Other charges**

Other expenses mainly consist of legal fees, miscellaneous fees, paying agent fees, registration and filing fees, and tax fees.

### 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 and/or the Management Company reserves the right not to apply equalisation.

### Note 14 - Credit facility

Effective February 4, 2022, 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 totaling 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, 2022, the Company did not use the Global Credit Facility.

### Note 15 - 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, 2022. 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 16 - Abbreviations

#### Countries

AGO	Angola	DOM	Dominican Republic	MEX	Mexico	SRB	Serbia
ARG	Argentina	EGY	Egypt	MKD	Macedonia	THA	Thailand
ARM	Armenia	GEO	Georgia	MYS	Malaysia	TTO	Trinidad and Tobago
AZE	Azerbaijan	GHA	Ghana	NGA	Nigeria	TUN	Tunisia
BEN	Benin	HND	Honduras	PAK	Pakistan	TUR	Turkey
BLR	Belarus	HUN	Hungary	PAN	Panama	UKR	Ukraine
BRL	Brazil	IDN	Indonesia	PER	Peru	URY	Uruguay
							United States of America
CHL	Chile	IND	India	PHL	Philippines	USA	USA
CHN	China	IRQ	Iraq			UZB	Uzbekistan
CIV	Ivory Coast	JAM	Jamaica	PRY	Paraguay	VEN	Venezuela
CMR	Cameroon	JOR	Jordan	ROU	Romania	ZAF	South Africa
COL	Colombia	JEY	Jersey	RUS	Russia		
CRI	Costa Rica	KAZ	Kazakhstan	SLV	El Salvador		
CZE	Czech Republic	KEN	Kenya	SP	Supranational		

#### Currencies

CHF	Swiss Franc	GBP	British Pound Sterling	KES	Kenyan Shilling	RUB	Russian Ruble
COP	Colombian Peso	GEL	Georgian Lari	KZT	Kazakhstani Tenge	USD	US Dollar
	Dominican Republic						
DOP	Peso	IDR	Indonesian Rupiah	MXN	Mexican Peso	UYU	Uruguayan Peso
		INR	Indian Rupee	PEN	Peruvian Nuevo Sol	UZS	Uzbekistani Som
EUR	Euro	JPY	Japanese Yen	PLN	Polish Zloty	ZAR	South African Rand

### Note 17 - Additional Information

a. With effect from January 22, 2022, J.P. Morgan Bank Luxembourg S.A. merged into J.P. Morgan AG which at the same time changed its legal form from a German Stock Corporation (Aktiengesellschaft) to a European Company (Societas Europaea), J.P. Morgan SE, as legal successor of J.P. Morgan Bank Luxembourg S.A., continues to act as administrative agent of the Company through its Luxembourg Branch, namely J.P. Morgan SE, Luxembourg Branch.

**Note 17 - Additional Information** (continued)

b. The current outbreak of tension between Russia and Ukraine and any related sanctions that have, and might be imposed, may result in the global economy being adversely affected, along with the economies of certain nations and individual issuers, all of which may negatively impact the market. Although the Company does not have any significant exposure to the Russian or Ukrainian markets, the share price of some share classes has dropped due to this wider market volatility.

c. Until October 2, 2022 the registrar and transfer agency function were managed internally by Franklin Templeton International Services S.à r.l. Effective October 3, 2022, Virtus Partners Fund Services Luxembourg S.à r.l. has been appointed as registrar and transfer agent.

**Note 18 - Subsequent events**

Franklin Floating Rate II Fund closed on November 29, 2022.

## Schedule of Investments, October 31, 2022

## 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>				
2,156,091	Petra Diamonds Ltd.	ZAF	GBP	2,857,611	0.32
				2,857,611	0.32
	<b>TOTAL SHARES</b>			2,857,611	0.32
	<b>BONDS</b>				
	<b>Asset-Backed Securities</b>				
5,791,919	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	5,547,655	0.62
				5,547,655	0.62
	<b>Corporate Bonds</b>				
14,000,000	Akbank TAS, Reg. S 6.8% 06/22/2031	TUR	USD	11,766,316	1.31
12,200,000	Pegasus Hava Tasimaciligi A/S, Reg. S 9.25% 04/30/2026	TUR	USD	11,359,962	1.26
13,900,000	Frigorifico Concepcion SA, Reg. S 7.7% 07/21/2028	PRY	USD	11,096,513	1.24
12,900,000	Braskem Idesa SAPI, Reg. S 7.45% 11/15/2029	MEX	USD	10,017,634	1.12
11,408,000	Tullow Oil plc, Reg. S 10.25% 05/15/2026	GHA	USD	9,850,727	1.10
8,600,000	Georgia Capital JSC, Reg. S 6.125% 03/09/2024	GEO	USD	8,165,449	0.91
8,450,000	Kosmos Energy Ltd., Reg. S 7.75% 05/01/2027	GHA	USD	6,917,492	0.77
6,400,000	Access Bank plc, Reg. S 6.125% 09/21/2026	NGA	USD	4,773,935	0.53
5,650,000	IHS Netherlands Holdco BV, Reg. S 8% 09/18/2027	NGA	USD	4,468,834	0.50
4,050,000	Medco Platinum Road Pte. Ltd., Reg. S 6.75% 01/30/2025	IDN	USD	3,932,594	0.44
56,480,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	2,875,153	0.32
2,900,000	Ardshinbank CJSC, Reg. S 6.5% 01/28/2025	ARM	USD	2,778,783	0.31
2,125,989	Petra Diamonds US Treasury plc, Reg. S 10.5% 03/08/2026	ZAF	USD	2,172,670	0.24
3,800,000	Eurotorg LLC, Reg. S 9% 10/22/2025	BLR	USD	2,109,936	0.23
16,200,000	Country Garden Holdings Co. Ltd., Reg. S 7.25% 04/08/2026	CHN	USD	1,611,060	0.18
1,257,000	Medco Oak Tree Pte. Ltd., Reg. S 7.375% 05/14/2026	IDN	USD	1,131,622	0.13
1,115,000	MTN Mauritius Investments Ltd., Reg. S 4.755% 11/11/2024	ZAF	USD	1,085,698	0.12
6,750,000	Sri Rejeki Isman Tbk. PT, Reg. S 7.25% 01/16/2025 <sup>s</sup>	IDN	USD	307,346	0.03
				96,421,724	10.74
	<b>Government and Municipal Bonds</b>				
29,100,000	Angola Government Bond, Reg. S 8% 11/26/2029	AGO	USD	24,013,758	2.68
515,250,000	Mexican Bonos 8% 11/07/2047	MEX	MXN	21,568,241	2.40
23,500,000	Brazil Government Bond 4.5% 05/30/2029	BRL	USD	21,401,681	2.38
22,687,500	Iraq Government Bond, Reg. S 5.8% 01/15/2028	IRQ	USD	19,593,962	2.18
27,050,000	Ivory Coast Government Bond, Reg. S 4.875% 01/30/2032	CIV	EUR	19,075,931	2.13
338,496,171	Mexican Udibonos 4% 11/30/2028	MEX	MXN	16,723,809	1.86
379,000,000	South Africa Government Bond 7% 02/28/2031	ZAF	ZAR	16,189,816	1.80
794,000,000	Dominican Republic Government Bond, Reg. S 9.75% 06/05/2026	DOM	DOP	14,238,030	1.59
12,200,000	Jamaica Government Bond 7.875% 07/28/2045	JAM	USD	13,218,748	1.47
526,604,137	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	13,135,644	1.46
18,160,000	Benin Government International Bond, Reg. S 4.875% 01/19/2032	BEN	EUR	12,496,986	1.39
12,700,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	12,351,503	1.38
647,950,000	Dominican Republic Government Bond, Reg. S 8.9% 02/15/2023	DOM	DOP	12,075,502	1.35
1,641,554,000	Russian Federal Bond - OFZ 7.65% 04/10/2030 <sup>s</sup>	RUS	RUB	12,045,841	1.34
5,600,000,000	Kazakhstan Government Bond 5% 05/15/2023	KAZ	KZT	11,595,988	1.29
11,250,000	Southern Gas Corridor CJSC, Reg. S 6.875% 03/24/2026	AZE	USD	11,223,990	1.25
122,510,000,000	Uzbekistan Government Bond, Reg. S 14% 07/19/2024	UZB	UZS	10,852,890	1.21
14,096,000	Paraguay Government Bond, Reg. S 2.739% 01/29/2033	PRY	USD	10,704,868	1.19
13,250,000	Turkey Government Bond 5.95% 01/15/2031	TUR	USD	10,304,915	1.15
51,200,000	Peru Government Bond 5.4% 08/12/2034	PER	PEN	10,053,997	1.12
9,600,000	Indonesia Government Bond 4.15% 09/20/2027	IDN	USD	9,227,303	1.03
24,900,000	El Salvador Government Bond, Reg. S 7.65% 06/15/2035	SLV	USD	9,197,681	1.02
16,100,000	Egypt Government Bond, Reg. S 7.5% 02/16/2061	EGY	USD	9,139,027	1.02
434,200,000	Uruguay Government Bond 8.25% 05/21/2031	URY	UYU	9,021,442	1.01
10,200,000	Costa Rica Government Bond, Reg. S 7.158% 03/12/2045	CRI	USD	8,948,226	1.00
11,300,000	BOI Finance BV, Reg. S 7.5% 02/16/2027	NGA	EUR	8,757,500	0.98
11,850,000	Cameroon Government Bond, Reg. S 5.95% 07/07/2032	CMR	EUR	7,859,750	0.88
10,100,000	Dominican Republic Government Bond, Reg. S 6.4% 06/05/2049	DOM	USD	7,386,750	0.82
7,300,000	Jordan Government Bond, Reg. S 6.125% 01/29/2026	JOR	USD	7,089,672	0.79
7,000,000	Armenia Government Bond, Reg. S 7.15% 03/26/2025	ARM	USD	6,961,441	0.78
8,300,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	6,131,708	0.68
21,000,000	Belarus Government Bond, Reg. S 6.875% 02/28/2023 <sup>s</sup>	BLR	USD	6,012,825	0.67
6,750,000	Jordan Government Bond, Reg. S 5.85% 07/07/2030	JOR	USD	5,677,500	0.63



## 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
8,300,000	Egypt Government Bond, Reg. S 7.625% 05/29/2032	EGY	USD	5,412,897	0.60
6,190,000	Serbia Government Bond, Reg. S 3.125% 05/15/2027	SRB	EUR	5,292,202	0.59
639,895,200	Kenya Government Bond 11% 09/15/2025	KEN	KES	5,219,452	0.58
4,933,333	Honduras Government Bond, Reg. S 7.5% 03/15/2024	HND	USD	4,991,737	0.56
2,372,500,000	Kazakhstan Government Bond 5.3% 04/26/2023	KAZ	KZT	4,942,014	0.55
13,100,000	Ghana Government Bond, Reg. S 8.125% 01/18/2026	GHA	USD	4,920,354	0.55
27,000,000,000	Colombia Government Bond 9.85% 06/28/2027	COL	COP	4,804,097	0.54
5,600,000	Angola Government Bond, Reg. S 8.75% 04/14/2032	AGO	USD	4,589,076	0.51
6,350,000	Honduras Government Bond, Reg. S 5.625% 06/24/2030	HND	USD	4,411,953	0.49
13,400,000	Pakistan Government Bond, Reg. S 7.375% 04/08/2031	PAK	USD	4,338,764	0.48
6,300,000	Romania Government Bond, Reg. S 1.375% 12/02/2029	ROU	EUR	4,320,160	0.48
486,000,000	Kenya Government Bond 12.5% 01/10/2033	KEN	KES	3,794,531	0.42
5,600,000	Kazakhstan Government Bond, Reg. S 1.5% 09/30/2034	KAZ	EUR	3,630,368	0.40
3,450,000	Dominican Republic Government Bond, Reg. S 4.875% 09/23/2032	DOM	USD	2,702,804	0.30
12,200,000	Belarus Government Bond, Reg. S 6.378% 02/24/2031 <sup>s</sup>	BLR	USD	2,527,522	0.28
2,625,000	North Macedonia Government Bond, Reg. S 3.675% 06/03/2026	MKD	EUR	2,336,959	0.26
3,000,000	Armenia Government Bond, Reg. S 3.6% 02/02/2031	ARM	USD	2,085,065	0.23
6,550,000	Ukraine Government Bond, Reg. S, FRN 1.258% 08/01/2041 <sup>s</sup>	UKR	USD	1,685,702	0.19
				466,282,582	51.94
<b>Quasi-Sovereign Bonds</b>					
13,600,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	13,657,797	1.52
13,400,000	Huarong Finance II Co. Ltd., Reg. S 4.625% 06/03/2026	CHN	USD	10,253,719	1.14
3,947,500,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	8,140,858	0.91
37,346,000,000	Empresa de Telecomunicaciones de Bogota, Reg. S 7% 01/17/2023	COL	COP	7,567,707	0.84
78,500,000,000	Ipoteka-Bank ATIB, Reg. S 16% 04/16/2024	UZB	UZS	7,030,792	0.79
6,950,000	Istanbul Metropolitan Municipality, Reg. S 10.75% 04/12/2027*	TUR	USD	6,305,844	0.70
5,737,271	Provincia de Neuquen Argentina, Reg. S 8.625% 05/12/2030*	ARG	USD	5,006,978	0.56
5,800,000	Ecopetrol SA 4.625% 11/02/2031	COL	USD	4,056,729	0.45
23,250,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028*	COL	COP	3,999,580	0.45
20,052,152,131	PA Autopista Rio Magdalena, Reg. S 6.05% 06/15/2036	COL	COP	3,163,333	0.35
				69,183,337	7.71
<b>Supranational</b>					
240,280,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	15,629,530	1.74
72,600,000	Asian Development Bank 8.175% 09/15/2024	SP	PLN	15,205,598	1.69
7,950,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	6,076,606	0.68
15,500,000	European Investment Bank 8.5% 12/01/2023	SP	GEL	5,380,468	0.60
60,000,000,000	Inter-American Development Bank 5.5% 02/07/2023	SP	IDR	3,881,931	0.43
40,000,000,000	European Bank for Reconstruction & Development				
	6.45% 12/13/2022	SP	IDR	2,595,269	0.29
2,600,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	2,328,241	0.26
				51,097,643	5.69
				688,532,941	76.70
<b>TOTAL BONDS</b>					
<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>					
				691,390,552	77.02
TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET					
<b>BONDS</b>					
<b>Corporate Bonds</b>					
11,750,000	Energo-Pro A/S, Reg. S 8.5% 02/04/2027	CZE	USD	10,971,621	1.22
13,600,000	MC Brazil Downstream Trading SARL, Reg. S 7.25% 06/30/2031	BRL	USD	10,537,351	1.17
	Telecommunications Services of Trinidad & Tobago Ltd., Reg. S				
11,900,000	8.875% 10/18/2029	TTO	USD	10,262,687	1.14
12,002,619	UEP Penonome II SA, Reg. S 6.5% 10/01/2038	PAN	USD	9,108,535	1.02
7,600,000	Cemex SAB de CV, Reg. S 3.875% 07/11/2031	MEX	USD	5,873,217	0.66
5,400,000	Fidelity Bank plc, Reg. S 7.625% 10/28/2026	NGA	USD	4,289,183	0.48
3,600,000	Braskem Idesa SAPI, Reg. S 6.99% 02/20/2032	MEX	USD	2,445,272	0.27
2,600,000	CSN Inova Ventures, Reg. S 6.75% 01/28/2028	BRL	USD	2,259,351	0.25
				55,747,217	6.21
<b>Government and Municipal Bonds</b>					
28,500,000	Georgia Government Bond 8% 02/04/2023	GEO	GEL	10,433,601	1.16
2,629,416	IIRSA Norte Finance Ltd., Reg. S 8.75% 05/30/2024	PER	USD	2,753,225	0.31
580,000,000	Tunisia Government Bond 4.2% 03/17/2031	TUN	JPY	1,979,798	0.22

**Franklin Emerging Market Debt Opportunities II Fund** (continued)

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
100,000,000	Tunisia Government Bond 3.28% 08/09/2027	TUN	JPY	325,413	0.04
				15,492,037	1.73
	<b>Quasi-Sovereign Bonds</b>				
13,800,000	Heritage Petroleum Co. Ltd., Reg. S 9% 08/12/2029	TTO	USD	14,724,376	1.64
20,594,933	Rutas 2 and 7 Finance Ltd., Reg. S 0% 09/30/2036	PRY	USD	12,478,137	1.39
5,350,000	CITGO Petroleum Corp., Reg. S 7% 06/15/2025	VEN	USD	5,336,900	0.59
15,403,099,000	Fideicomiso PA Costera, Reg. S 6.25% 01/15/2034	COL	COP	2,658,712	0.30
2,400,000	Citgo Holding, Inc., Reg. S 9.25% 08/01/2024	USA	USD	2,433,755	0.27
				37,631,880	4.19
	<b>TOTAL BONDS</b>			108,871,134	12.13
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>			108,871,134	12.13
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
13,500,000	Alfa Bank AO, Reg. S 5.95% 04/15/2030**§	RUS	USD	—	—
				—	—
	<b>Quasi-Sovereign Bonds</b>				
15,607,143	TER Finance Jersey Ltd., Reg. S 8.85% 06/20/2028**	JEY	EUR	14,283,805	1.59
				14,283,805	1.59
	<b>TOTAL BONDS</b>			14,283,805	1.59
	<b>TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET</b>			14,283,805	1.59
	<b>TOTAL INVESTMENTS</b>			<b>814,545,491</b>	<b>90.74</b>

§ These Bonds are currently in default

\* Could also be classified as Municipals

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



## Schedule of Investments, October 31, 2022

## 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>Asset-Backed Securities</b>				
119,544	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	113,163	0.37
				113,163	0.37
	<b>Corporate Bonds</b>				
70,000,000	HDFC Bank Ltd., Reg. S 8.1% 03/22/2025	IND	INR	835,308	2.77
1,000,000	Chile Electricity PEC SpA, Reg. S 0% 01/25/2028	CHL	USD	701,997	2.33
750,000	Cencosud SA, Reg. S 4.375% 07/17/2027	CHL	USD	680,419	2.25
	Banco Inbursa SA Institucion De Banca Multiple Grupo Financiero				
650,000	Inbursa, Reg. S 4.375% 04/11/2027	MEX	USD	590,489	1.96
700,000	Suzano Austria GmbH 3.75% 01/15/2031	BRL	USD	561,743	1.86
500,000	Bharti Airtel Ltd., Reg. S 4.375% 06/10/2025	IND	USD	475,284	1.58
	International Container Terminal Services, Inc., Reg. S				
500,000	4.75% 06/17/2030	PHL	USD	435,350	1.44
500,000	SF Holding Investment Ltd., Reg. S 2.875% 02/20/2030	CHN	USD	400,910	1.33
500,000	Tencent Holdings Ltd., Reg. S 2.39% 06/03/2030	CHN	USD	363,896	1.21
500,000	Adani Electricity Mumbai Ltd., Reg. S 3.867% 07/22/2031	IND	USD	305,723	1.01
200,000	Bangkok Bank PCL, Reg. S 4.3% 06/15/2027	THA	USD	188,276	0.62
3,200,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	160,992	0.53
350,000	Longfor Group Holdings Ltd., Reg. S 3.375% 04/13/2027	CHN	USD	96,246	0.32
700,000	Country Garden Holdings Co. Ltd., Reg. S 4.2% 02/06/2026	CHN	USD	68,609	0.23
750,000	Shimao Group Holdings Ltd., Reg. S 5.2% 01/16/2027 <sup>s</sup>	CHN	USD	48,750	0.16
				5,913,992	19.60
	<b>Government and Municipal Bonds</b>				
30,650,000	Mexican Bonos 8% 11/07/2047	MEX	MXN	1,267,990	4.20
1,275,000	Indonesia Government Bond, Reg. S 4.35% 01/08/2027	IDN	USD	1,225,505	4.06
31,417,914	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	774,521	2.57
1,050,000	Romania Government Bond, Reg. S 1.375% 12/02/2029	ROU	EUR	711,602	2.36
14,394,421	Mexican Udibonos 4% 11/30/2028	MEX	MXN	702,853	2.33
4,400,000,000	Colombia Government Bond 6% 04/28/2028	COL	COP	636,361	2.11
600,000	Romania Government Bond, Reg. S 4.375% 08/22/2023	ROU	USD	596,082	1.98
600,000	Panama Government Bond 3.362% 06/30/2031	PAN	USD	493,452	1.64
64,239,000	Russian Federal Bond - OFZ 7.65% 04/10/2030 <sup>s</sup>	RUS	RUB	465,875	1.54
550,000	Kazakhstan Government Bond, Reg. S 4.875% 10/14/2044	KAZ	USD	422,808	1.40
750,000	Hungary Government Bond, Reg. S 3.125% 09/21/2051	HUN	USD	414,580	1.37
600,000	Hungary Government Bond, Reg. S 1.625% 04/28/2032	HUN	EUR	404,937	1.34
182,473,000	Kazakhstan Government Bond 5.3% 04/26/2023	KAZ	KZT	375,652	1.24
400,000	Panama Government Bond 3.75% 04/17/2026	PAN	USD	375,600	1.24
600,000	Russian Foreign Bond - Eurobond, Reg. S 5.625% 04/04/2042 <sup>s</sup>	RUS	USD	355,800	1.18
16,000,000	Uruguay Government Bond 8.25% 05/21/2031	URY	UYU	328,545	1.09
400,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	292,047	0.97
300,000	Indonesia Government Bond 4.15% 09/20/2027	IDN	USD	284,979	0.94
300,000	Uruguay Government Bond 5.1% 06/18/2050	URY	USD	269,254	0.89
220,000	Mexico Government Bond 2.659% 05/24/2031	MEX	USD	170,861	0.57
151,929	SPARC EM SPC Panama Metro Line 2 SP, Reg. S 0% 12/05/2022	PAN	USD	151,113	0.50
275,000	Peru Government Bond 2.78% 12/01/2060	PER	USD	147,762	0.49
100,000	Peru Government Bond 1.862% 12/01/2032	PER	USD	69,676	0.23
				10,937,855	36.24
	<b>Quasi-Sovereign Bonds</b>				
725,000	Kazakhstan Temir Zholy Finance BV, Reg. S 6.95% 07/10/2042	KAZ	USD	719,563	2.39
700,000	TNB Global Ventures Capital Bhd., Reg. S 3.244% 10/19/2026	MYS	USD	639,863	2.12
800,000	Comision Federal de Electricidad, Reg. S 3.875% 07/26/2033	MEX	USD	573,688	1.90
500,000	Autoridad del Canal de Panama, Reg. S 4.95% 07/29/2035	PAN	USD	444,053	1.47
550,000	CNAC HK Finbridge Co. Ltd., Reg. S 3.875% 06/19/2029	CHN	USD	442,880	1.47
400,000	State Grid Overseas Investment BVI Ltd., Reg. S 3.5% 05/04/2027	CHN	USD	376,717	1.25
400,000	Indonesia Asahan Aluminium Persero PT, Reg. S 5.45% 05/15/2030	IDN	USD	351,197	1.16
366,655	Lima Metro Line 2 Finance Ltd., Reg. S 5.875% 07/05/2034	PER	USD	340,173	1.13
400,000	Huarong Finance II Co. Ltd., Reg. S 4.625% 06/03/2026	CHN	USD	302,500	1.00
300,000	China Construction Bank Corp., Reg. S 2.45% 06/24/2030	CHN	USD	277,579	0.92
130,000,000	Development Bank of Kazakhstan JSC, Reg. S 8.95% 05/04/2023	KAZ	KZT	264,960	0.88
200,000	Bank Mandiri Persero Tbk. PT, Reg. S 4.75% 05/13/2025	IDN	USD	193,865	0.64
200,000	KazMunayGas National Co. JSC, Reg. S 5.75% 04/19/2047	KAZ	USD	138,529	0.46

**Franklin Emerging Market Investment Grade Debt Fund** (continued)

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
250,000	Russian Railways, Reg. S 5.7% 04/05/2022 <sup>§</sup>	RUS	USD	87,500	0.29
				5,153,067	17.08
	<b>Supranational</b>				
16,930,000,000	Inter-American Development Bank 7.875% 03/14/2023	SP	IDR	1,088,361	3.61
3,200,000	Asian Development Bank 8.175% 09/15/2024	SP	PLN	662,378	2.19
700,000	African Export-Import Bank (The), Reg. S 3.994% 09/21/2029	SP	USD	554,218	1.84
600,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	453,246	1.50
5,000,000,000	Inter-American Development Bank 5.5% 02/07/2023	SP	IDR	319,709	1.06
1,500,000	Asian Development Bank, Reg. S 8.3% 10/18/2024	SP	PLN	310,377	1.03
2,200,000,000	European Bank for Reconstruction & Development 6.45% 12/13/2022	SP	IDR	141,069	0.47
				3,529,358	11.70
	<b>TOTAL BONDS</b>			25,647,435	84.99
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>			25,647,435	84.99
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
730,000	Banco Santander Chile, Reg. S 3.177% 10/26/2031	CHL	USD	570,538	1.89
450,000	Alpek SAB de CV, Reg. S 4.25% 09/18/2029	MEX	USD	384,212	1.28
400,000	Credicorp Ltd., Reg. S 2.75% 06/17/2025	PER	USD	368,871	1.22
350,000	St. Marys Cement, Inc., Reg. S 5.75% 01/28/2027	BRL	USD	344,890	1.14
400,000	Kimberly-Clark de Mexico SAB de CV, Reg. S 2.431% 07/01/2031	MEX	USD	318,176	1.06
350,000	Braskem Netherlands Finance BV, Reg. S 4.5% 01/31/2030	BRL	USD	284,575	0.94
				2,271,262	7.53
	<b>Government and Municipal Bonds</b>				
279,000	Peru Government Bond, Reg. S 6.35% 08/12/2028	PER	PEN	65,159	0.22
				65,159	0.22
	<b>Quasi-Sovereign Bonds</b>				
1,192,214,205	Fideicomiso PA Costera, Reg. S 6.25% 01/15/2034	COL	COP	203,380	0.67
189,524	Fideicomiso PA Costera, Reg. S 6.75% 01/15/2034	COL	USD	156,831	0.52
				360,211	1.19
	<b>TOTAL BONDS</b>			2,696,632	8.94
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>			2,696,632	8.94
	<b>TOTAL INVESTMENTS</b>			28,344,067	93.93

§ These Bonds are currently in default

## 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.

#### Liquidity Risk

As at October 31, 2022, the Company did not hold any assets subject to special arrangements arising from their illiquid nature.

There are no new arrangements for managing the 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 October 31, 2021.

Account	Gross Method as of October 31, 2022	Max leverage under gross method	Commitment method as of October 31, 2022	Max leverage under commitment method
Franklin Emerging Market Debt Opportunities II Fund	98.38%	210.00%	100.00%	170.00%
Franklin Emerging Market Investment Grade Debt Fund	100.04%	210.00%	103.12%	170.00%

### Portfolio Turnover Ratio

The portfolio turnover ratio, 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 the period. It is effectively a measure of how frequently a Fund buys or sells securities.

The portfolio turnover ratio calculation is not applicable to Liquid Reserve and Money Market Funds, as such a ratio is not relevant to such Funds due to the short-term nature of the investments.

Fund	Portfolio Turnover Ratio
Franklin Emerging Market Debt Opportunities II Fund	47.08%
Franklin Emerging Market Investment Grade Debt Fund	39.02%

### 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, 2022* ** ***	€ 583,032
Total amount of variable remuneration paid by FTIS and its delegates during the year ended September 30, 2022* **, ***	€ 391,472
Number of staff of FTIS and in its delegates as at September 30, 2022	549
Total amount of compensation paid by FTIS and its delegates to Senior managers during the year ended September 30, 2022* **, ***	€ 296,040
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, 2022* **, ***	€ 61,663

\* 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, 2022.

*\*\* 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, 2022.*

*\*\*\*Delegates are Investment Management entities which are subject to regulatory requirements that are equally as effective as those under Article 69(3)(a) of the UCITS Directive.*

#### **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, 2022, Franklin Emerging Market Debt Opportunities II Fund reported cash collateral pledge related to OTC derivatives which amounted to USD 1,130,000 and this balance is included in the cash account.

#### **Audited annual report and unaudited semi-annual reports**

The audited annual reports and unaudited semi-annual reports will be available on the local Franklin Templeton 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.

## Franklin Templeton Office Directory

Further information regarding Franklin Templeton Series II Funds is available at 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 67 212 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**

**Franklin Templeton International Services S.à r.l.**  
**8A, rue Albert Borschette**  
**L-1246 Luxembourg**  
**Grand Duchy of**  
**Luxembourg**  
Tel: +352 (46) 66-67-1  
Fax: +352 (46) 66-76