FRANKLIN TEMPLETON

FRANKLIN TEMPLETON FUNDS

An authorised open-ended investment company with variable capital
(PRN: 184169)

PROSPECTUS

13 July 2020

REACH FOR BETTER™

Franklin Absolute Return Bond Fund
(PRN: 803936)

Franklin Mutual Shares Fund
(PRN: 636356)
(No longer available for investment)

Franklin Sterling Corporate Bond Fund
(PRN: 772815)

Franklin UK Equity Income Fund
(PRN: 636367)

Franklin UK Gilt Fund
(PRN: 772816)

Franklin UK Managers' Focus Fund
(PRN: 636368)

Franklin UK Mid Cap Fund
(PRN: 636369)

Franklin UK Opportunities Fund
(PRN: 636370)

Franklin UK Rising Dividends Fund
(PRN: 636366)

Franklin UK Smaller Companies Fund
(PRN: 636371)

Franklin US Opportunities Fund
(PRN: 636365)

Templeton Global Emerging Markets Fund
(PRN: 636360)

Templeton Global Total Return Bond Fund
(PRN: 636362)

Templeton Growth Fund
(PRN: 636354)

IMPORTANT INFORMATION

If you are in any doubt as to the meaning of any information contained in it, you should consult Franklin Templeton Fund Management Limited, as the Authorised Corporate Director, on its Client Dealer Services Freefone number 0800 305 306 or if calling from outside the UK on +44 (0) 20 7073 8690. Alternatively you should consult a professional financial adviser.

Franklin Templeton Fund Management Limited, the Authorised Corporate Director (ACD) of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by COLL to be included in it. Franklin Templeton Fund Management Limited accepts responsibility accordingly.

The Prospectus is based on information, law and practice at the date hereof. The Company is not bound by any out of date prospectus when it has issued a new prospectus or an addendum to the prospectus and investors should check that they have the most recently published prospectus and addendum (if any).

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depositary. Except for the information about itself as Depositary, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility for such information under COLL or otherwise.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus or any Key Investor Information Document prepared by the ACD and, if given or made, such information or representations must not be relied on as having being made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Shares in the Funds. Investors should only consider investing in the Funds if they understand the risks involved including the risk of losing all capital invested.

If you are not normally resident in the UK, and are considering investing in Franklin Templeton Funds please ensure that you are fully aware of, and comply with, any of your local legal, tax or exchange control legislation, including if appropriate any governmental or other consents required.

The UK government has enacted legislation enabling it to comply with its obligations in relation to automatic exchange of information to improve international tax compliance, including current European Union directives, agreements with jurisdictions outside of the EU and the United States provisions commonly known as "FATCA". As a result, the Company may need to disclose the name, address, taxpayer identification number and investment information relating to certain Shareholders to HMRC, who will in turn exchange this information with the tax authorities in jurisdictions where the account holder is or appears to be tax resident, where applicable. By signing the application form to subscribe for Shares, each prospective Shareholder is agreeing to provide information upon request to the Company or its agent. If a Shareholder does not provide the necessary information, the Company will be required to report it to HMRC.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Company is not registered in the United States of America under the Investment Company Act of 1940. The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) ("the 1933 Act") or the securities laws of any of the states of the United States of America, nor is such registration contemplated. The Shares may not be offered, sold or delivered directly or indirectly in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the account or benefit of any "US Person" except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable state laws. US Persons are not eligible to invest in the Company. Any re-offer or resale of any of the Shares in the United States of America or to US Persons may constitute a violation of US law. Intending investors shall be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person. In the absence of written notice to the Company to the contrary, if a prospective investor provides a non-US address on the application form for investment in the Company, such investor shall be deemed to be a non-US Person and such investor will continue to be a non-US Person unless and until the Company is otherwise notified of a change in the investor's US Person status. The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the 1933 Act, or as defined by the US Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.

Distribution of this Prospectus in certain jurisdictions will require that this Prospectus be translated into the official language of those jurisdictions. Where such translation is required, the translated version of this Prospectus shall only contain the same information and shall only have the same meaning as in this Prospectus. All communications in relation to this Prospectus shall be in English.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by Franklin Templeton Fund Management Limited. Franklin Templeton Fund Management Limited is authorised and regulated by the Financial Conduct Authority.

PROSPECTUS OF FRANKLIN TEMPLETON FUNDS

An Authorised Open-Ended Investment Company with Variable Capital.

This document is a Prospectus and is dated and is valid as at 13 July 2020 and has been prepared in accordance with the rules contained in the FCA Rules which forms part of the FCA's handbook of rules and guidance and complies with the requirements of 4.2.2.R. of the FCA Rules. The Company is also subject to the OEIC Regulations.

The Company has been constituted so as to comply with the UCITS Directive, and subsequent related directives.

Franklin Templeton Funds

Head Office
Cannon Place, 78 Cannon Street
London EC4N 6HL

Authorised Corporate Director, Administrator and Registrar
Franklin Templeton Fund Management Limited
Cannon Place, 78 Cannon Street
London EC4N 6HL

Depositary
The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL

Investment Advisers

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

Franklin Templeton Investment Management Limited
Cannon Place, 78 Cannon Street
London EC4N 6HL

Franklin Mutual Advisers, LLC
101 John F. Kennedy Parkway
Short Hills, NJ 07078, USA

Templeton Asset Management Ltd
7 Temasek Boulevard
38-03 Suntec Tower One
Singapore 038987

Franklin Templeton Fund Management Limited
Cannon Place, 78 Cannon Street
London EC4N 6HL

Franklin Templeton Investments Corp.
200 King Street West, Suite 1500,
Toronto, Ontario, M5H 3T4,
Canada

Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

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Definitions

"Accumulation Share"	A share in respect of which income is accumulated and added to the capital property of the Company
"ACD"	Franklin Templeton Fund Management Limited, the Authorised Corporate Director of the Company
"Act"	Financial Services and Markets Act 2000
"Auditors"	PricewaterhouseCoopers LLP
"Business Day"	Monday to Friday (except for a bank holiday in England and Wales) being a day on which the London Stock Exchange is open for business
"Class"	in relation to Shares, means (according to the context) all of the Shares of a particular Fund or a particular class or classes of Share of a particular Fund
"Company"	Franklin Templeton Funds (which is an investment company with variable capital)
"Conversion"	the conversion of Shares in one Class in a Fund to Shares of another Class in the same Fund and "Convert" shall be construed accordingly
"Custodian"	The Bank of New York Mellon (International) Limited
"Currency of Return"	A currency on which a Fund bases its investment strategy and which is different from this Fund's base currency
"Currency of Investment"	A currency in which securities held by a Fund are denominated and which is different from this Fund's base currency
"Dealing Day"	A Business Day unless the ACD decides otherwise with the approval of the Depositary
"Depositary"	The Bank of New York Mellon (International) Limited
"Eligible Derivatives Markets"	Derivatives markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of, or dealing in, the scheme property in accordance with the relevant criteria set out in the FCA Rules and with regard to the Guidance on Eligible Markets issued by the FCA as amended from time to time
"Eligible Markets"	Eligible Derivatives Markets and/or Eligible Securities Markets
"Eligible Securities Markets"	Securities markets which the ACD, after consultation with the Depository,has decided are appropriate for the purposes of investment of, or dealing in, the scheme property in accordance with the relevant criteria set out in the FCA Rules and with regard to the Guidance on Eligible Markets issued by the FCA as amended from time to time
"Equity Funds"	Franklin Mutual Shares Fund (no longer available for investment); Franklin UK Equity Income Fund; Franklin UK Managers' Focus Fund; Franklin UK Mid Cap Fund; Franklin UK Opportunities Fund; Franklin UK Rising Dividends Fund; Franklin UK Smaller Companies Fund; Franklin US Opportunities Fund; Templeton Global Emerging Markets Fund and Templeton Growth Fund
"EU Member States"	Member States of the European Union
"FAI"	Franklin Advisers, Inc.
"FAI Investment Advisory Agreement"	An agreement made between the ACD and FAI dated as of 1 April 2015, as may be amended from time to time
"FCA"	Financial Conduct Authority

"FCA Handbook"	The handbook of rules and guidance issued by the FCA as amended from time to time
"FCA Rules"	The Collective Investment Schemes Sourcebook issued by the FCA as amended from time to time
"Fixed Income Funds"	Franklin Absolute Return Bond Fund, Franklin Sterling Corporate Bond Fund, Franklin UK Gilt Fund and Templeton Global Total Return Bond Fund
"FMA"	Franklin Mutual Advisers, LLC
"FMA Investment Advisory Agreement"	An agreement made between the ACD and FMA dated 1 April 2015, as may be amended from time to time
"Franklin Resources, Inc."	The ultimate holding company of the ACD and each of the holding company's subsidiaries
"FTFML"	Franklin Templeton Fund Management Limited
"FTIC"	Franklin Templeton Investments Corp.
"FTIML"	Franklin Templeton Investment Management Limited
"FTIML Investment Advisory Agreement"	An agreement between the ACD and FTIML dated 21 May 2014, as may be amended from time to time
"FTIML-FTIC Co-Investment Advisory Agreement"	An agreement between the ACD, FTIML and FTIC effective from 15 December 2017, as may be amended from time to time
"Funds"	Franklin Absolute Return Bond Fund; Franklin Mutual Shares Fund (no longer available for investment); Franklin Sterling Corporate Bond Fund; Franklin UK Equity Income Fund; Franklin UK Gilt Fund; Franklin UK Managers' Focus Fund; Franklin UK Mid Cap Fund; Franklin UK Opportunities Fund; Franklin UK Rising Dividends Fund; Franklin UK Smaller Companies Fund; Franklin US Opportunities Fund; Templeton Global Emerging Markets Fund; Templeton Global Total Return Bond Fund and Templeton Growth Fund
"Global Sub-Custodians"	The Bank of New York Mellon SA/NV and The Bank of New York Mellon
"Glossary"	The glossary contained in the FCA Handbook
"Grouping Period"	The period from the last record date to the next record date
"Hedged Share"	A Share which Class includes a hedging strategy as more fully described under "The Characteristics of Shares in the Funds"
"HMRC"	HM Revenue & Customs
"Income Share"	Net paying Shares, denominated in base currency, in the fund as may be in issue from time to time in respect of which income allocated is distributed periodically to the Shareholders pursuant to the FCA Rules net of any tax deducted or accounted for by the fund
"Investment Adviser"	Any of the ACD, FAI, FMA, FTIC, FTIML or TAML
"Investment Grade"	Securities rated BBB or higher by S&P, those carrying comparable ratings issued by another recognised rating agency, or unrated securities as determined by the ACD to be of comparable quality
"ISA"	Individual Savings Account pursuant to the Individual Savings Account Regulations 1998 as amended
"KIID"	Key investor information document as amended from time to time

"Net Asset Value" or "NAV"	the value of the Scheme Property of the Company (or any Fund, as the context requires), less the liabilities of the Company (or any Fund, as the context requires), as calculated in accordance with the Company's Instrument of Incorporation
"OEIC Regulations"	Open-Ended Investment Companies Regulations 2001 as amended from time to time
"Registrar"	FTFML
"Regulated Activities Order"	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 S12000/544
"S&P"	Standard & Poor's Corporation
"Scheme Property"	The property of the Company to be given to the Depositary for safe-keeping, as required by the FCA Rules
"Service Agreement"	An agreement between the Company and the ACD and dated effective from 17 October 2011

"Share" A Share in the Company (including larger or smaller denomination shares)

"Shareholder"	A holder of Shares
"SIPP"	Self-Invested Personal Pension
"Sub-Investment Grade"	Securities rated below Investment Grade
"Switch"	The exchange, where permissible, of Shares of one Fund for Shares of another Fund

"TAML" Templeton Asset Management Ltd

"TAML and FTIML Co-Investment Advisory Agreement"	An agreement between the ACD, TAML AND FTIML effective from 31 July 2019, as may be amended from time to time
"UCITS Directive"	Council Directive on the co-ordination of laws, reputations and administrative provisions relating to undertakings for collective investment in transferable securities (85/611/EEC), as may be amended from time to time
"UK"	The United Kingdom of Great Britain and Northern Ireland
"Valuation Point"	The point on any Dealing Day, whether on a periodic basis or for a particular valuation of the Scheme Property for the Company or a Fund (as the case may be), at which a valuation is carried out for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed
"VAT"	Value Added Tax

The Company

The Company is an open-ended investment company with variable capital incorporated with limited liability and registered in Scotland under number SI2. Its Shareholders are not liable for its debts beyond the amount subscribed. The address of its head office is Cannon Place, 78 Cannon Street, London, EC4N 6HL. This is also its United Kingdom address for service of notices on the Company (or other documents required or authorised to be served on it).

The effective date of the authorisation order made by the FCA in respect of the Company was 3 February 1998. The Company's duration is unlimited and its relevant category is that of an umbrella company.

The base currency for the Company is sterling and the maximum size of its capital is £50,000,000,000 and the minimum size is £300,000.

The operation of the Company is governed by the OEIC Regulations, the FCA Rules, the Company's Instrument of Incorporation and this Prospectus and any addendum to this Prospectus.

Directors of the Company

The ACD of the Company is Franklin Templeton Fund Management Limited, a private company incorporated with limited liability in England and Wales under the Companies Act 1985. Its registered office is at Cannon Place, 78 Cannon Street, London, EC4N 6HL and its head office is at 2nd Floor, Toronto Square, Infirmary Street, Leeds, LS1 2HJ. Its ultimate holding company is Franklin Resources, Inc., which is incorporated in the United States of America.

The ACD was incorporated on 13 August 1985 and has an issued share capital of £100,000 fully paid.

The ACD is authorised and regulated by the FCA.

The directors of the ACD are: David Brigstocke, Paul Collins, Kathleen Davidson, Martyn Gilbey, William Jackson, Henrietta Jowitt and Gwen Shaneyfelt.

The Company has no Directors other than the ACD. The ACD was appointed by the Company pursuant to the terms of a Service Agreement, available to Shareholders upon request, which may be terminated on service of three months' notice by either party. The Service Agreement will terminate with immediate effect if the ACD ceases to hold office as a Director. The ACD is not however permitted voluntarily to terminate its appointment except on the appointment of another authorised corporate director.

The ACD's principal activity is investment management. It has authority, as a delegate of the Company, to make decisions on the Company's behalf including:

(a) the management, investment, realisation and reinvestment of any property of the Funds of the Company in accordance with the investment objectives and policies of these Funds;

(b) the reclaiming of, or enabling the Depositary to reclaim, all refunds due of tax associated with dividends and interest or otherwise in respect of the property of the Funds.

The ACD is authorised to deal on behalf of the Funds. No commission is payable to the ACD for any such deal. The ACD is not a broker fund adviser in relation to the Company.

Where there is no other Director, the ACD's appointment will also terminate if notice of termination is given by the Depositary to the ACD and to the Company upon any of the following events:

(a) the ACD goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Depositary); or

(b) a receiver is appointed of the undertaking of the ACD or any part thereof; or

(c) an administration order is made in relation to the ACD under section 8 of the Insolvency Act 1986.

The Company will indemnify the ACD against any liability incurred by it as a Director other than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company, or in defending any proceedings in which judgement is given in its favour or it is acquitted, or in connection with any application under the OEIC Regulations pursuant to which relief is granted to it by the Court.

The Depositary

The Bank of New York Mellon (International) Limited is the Depositary of the Company and for the avoidance of doubt also acts as Custodian. The Bank of New York Mellon (International) Limited is a private company limited by shares incorporated in England and Wales on 9 August 1996. Its ultimate holding company is The Bank of New York Mellon Corporation, a public company incorporated in the United States. The registered and head office of the Depositary is at One Canada Square, London, E14 5AL.

The principal business activity of the Depositary is the provision of custodial, banking and related financial services. The Depositary is authorised by the Prudential Regulation Authority and is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Duties of the Depositary

The Depositary is responsible for the safekeeping of the Scheme Property, monitoring the cash flows of the Company, and must ensure that certain processes carried out by the ACD are performed in accordance with the applicable rules and the Prospectus.

Conflicts of Interest

For the purposes of this section, the following definitions shall apply:

"Link" means a situation in which two or more natural or legal persons are either linked by a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

"Group Link" means a situation in which two or more undertakings or entities belong to the same group within the meaning of Article 2(11) of Directive 2013/34/EU or international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002.

Company, ACD and Shareholders

The following conflicts of interests may arise between the Depositary, the Company and the ACD.

A Group Link where the ACD has delegated certain administrative functions to an entity within the same corporate group as the Depositary or the Custodian.

The Depositary shall ensure that policies and procedures are in place to identify all conflicts of interest arising from such Group Link(s) and shall take all reasonable steps to avoid such conflicts of interest. Where such conflicts of interest cannot be avoided, the Depositary and the ACD will ensure that such conflicts of interest are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its Shareholders.

To the extent that a Link exists between the Depositary and any Shareholders in the Company, the Depositary shall take all reasonable steps to avoid conflicts of interest arising from such Link, and ensure that its functions comply with Article 23 of the UCITS V Regulations as applicable.

Delegation

The following conflicts of interest may arise as a result of the delegation arrangements relating to safekeeping outlined above:

A Group Link where the Depositary has delegated the safekeeping of the Scheme Property to an entity within the same corporate group as the Depositary.

A Group Link where the Custodian has sub-delegated the safekeeping of the Scheme Property to an entity within the same corporate group as the Custodian and/or the Depositary.

The Depositary shall ensure that policies and procedures are in place to identify all conflicts of interest arising from such Group Link(s) and shall take all reasonable steps to avoid such conflicts of interest. Where such conflicts of interest cannot be avoided, the Depositary and the Custodian will ensure that such conflicts of interest are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its Shareholders.

Delegation of Safekeeping Functions

The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

The Bank of New York Mellon (International) Limited shall act as Depositary and Custodian and will delegate safekeeping to The Bank of New York Mellon SA/NV and The Bank of New York Mellon (as "Global Sub-Custodians"). In turn, the Global Sub-Custodians may sub-delegate the custody of assets in certain markets in which the Company may invest to the Sub-Custodians. A list of Sub-Custodians is given in Appendix 4. Investors should note that, except in the event of material changes requiring a prompt update of this Prospectus, the list of Sub-Custodians is updated only at each Prospectus review. An updated list of Sub-Custodians is maintained by the ACD and is available from the ACD upon request.

Updated Information

Up-to-date information regarding the Depositary, its duties, its conflicts of interest and the delegation of its safekeeping functions will be made available to Shareholders on request.

Terms of Appointment

The ACD is required to enter into a written contract with the Depositary to evidence its appointment as depositary of the Company for the purposes of the UCITS Directive.

The Bank of New York Mellon (International) Limited is appointed as Depositary of the Company under an amended and restated depositary agreement between the ACD, BNY Mellon Trust & Depositary (UK) Limited and the Company effective as of 18 March 2016 as novated to replace BNY Mellon Trust & Depositary (UK) Limited with The Bank of New York Mellon (International) Limited as Depositary with effect from 2 January 2018 and as amended from time to time (the "Depositary Agreement") pursuant to which the ACD, the Company and The Bank of New York Mellon (International) Limited agreed to carry out various functions in order to comply with, and facilitate compliance with, the requirements of the UCITS Directive.

Details of the Depositary's remuneration are set out in the section headed "Fees and Charges".

The Investment Advisers

The ACD acts as investment manager for the Funds save for where it has appointed Investment Advisers to manage the Funds as follows:

FTIML has been appointed as Investment Adviser to Franklin Sterling Corporate Bond Fund and Franklin UK Gilt Fund. FTIML is a company incorporated with limited liability in England and Wales with its registered office at Cannon Place, 78 Cannon Street, London, EC4N 6HL. Its principal activity is investment management. The FTIML Investment Advisory Agreement may be terminated at any time on the giving of three months' notice or immediately without notice where this is in the interests of Shareholders.

FAI has been appointed as Investment Adviser to Franklin US Opportunities Fund, Templeton Global Total Return Bond Fund and Franklin Absolute Return Bond Fund pursuant to the FAI Investment Advisory Agreement. FAI is a company incorporated with limited liability in California, USA, with its registered office at c/o C T Corporation System, 818 West Seventh Street, Los Angeles, California, 90017, United States and principal office at One Franklin Parkway, San Mateo, CA 94403, USA. Its principal activity is investment management. The FAI Investment Advisory Agreement may be terminated at any time on the giving of three months' notice or immediately without notice where this is in the interests of Shareholders.

FMA has been appointed as Investment Adviser to Franklin Mutual Shares Fund (no longer available for investment) pursuant to the FMA Investment Advisory Agreement. FMA is a limited liability company organised in Delaware, USA, with its registered office at c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States and principal office at 101 John F. Kennedy Parkway, Short Hills, NJ 07078, USA. Its principal activity is investment management. The FMA Investment Advisory Agreement may be terminated at any time on the giving of three months' notice or immediately without notice where this is in the interests of Shareholders.

TAML and FTIML have been appointed as Co-Investment Advisers to Templeton Global Emerging Markets Fund pursuant to the TAML- FTIML Co-Investment Advisory Agreement. TAML is a corporation organised under the laws of and based in Singapore with its registered office at 7 Temasek Boulevard, No. 38-03 Suntec Tower One, Singapore 038987. Its principal activities are investment management and marketing and distributing collective investment

schemes in Singapore. The TAML-FTIML Co-Investment Advisory Agreement may be terminated at any time on the giving of three months' notice or immediately without notice where this is in the interests of Shareholders.

FTIML and FTIC have been appointed as Co-Investment Advisers to Templeton Growth Fund pursuant to the FTIML-FTIC Co-Investment Advisory Agreement. FTIC is a company incorporated with limited liability in Canada, with its registered office at 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4, Canada. Its principal activity is investment management. The FTIML-FTIC Investment Advisory Agreement may be terminated at any time on the giving of three months' notice or immediately without notice where this is in the interests of Shareholders.

The Investment Advisers are associates of the ACD by virtue of each being a body corporate in a group of which the ACD is a member.

FAI and FMA are regulated by the US Securities and Exchange Commission but are not authorised by the FCA. TAML is regulated by the US Securities and Exchange Commission, the Hong Kong Securities and Futures Commission and the Monetary Authority of Singapore but is not authorised by the FCA. FTIC is registered as (i) an investment fund manager with the securities regulatory authorities in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario and Quebec, (ii) a portfolio manager, mutual fund dealer and exempt market dealer with the securities regulatory authorities in all Canadian provinces and one territory, (iii) a commodity trading manager with the Ontario Securities Commission and (iv) an adviser with the U.S. Securities and Exchange Commission but FTIC is not authorised by the FCA.

The Investment Advisers have authority, by virtue of their respective Investment Advisory Agreements, to provide certain investment management services in relation to the following:

(a) the management, investment, realisation and reinvestment of any property of the respective Funds to which they have been appointed Investment Adviser in accordance with the investment objectives and policies of the Funds; and

(b) the reclaiming of, or enabling the Depositary to reclaim, all refunds due of tax associated with dividends and interests or otherwise in respect of the property of the relevant Funds.

All the Investment Advisers are authorised to deal on behalf of the Funds to which they have been appointed Investment Adviser. No commission is payable to the Investment Advisers for any such deal. The Investment Advisers are not broker fund advisers in relation to the Company.

The Administrator and Registrar

The Administrator and Registrar of the Company is the ACD at Cannon Place, 78 Cannon Street, London, EC4N 6HL. The Register of Shareholders of the Company (and the plan register (in relation to regular savings)) can be inspected within the Registrar's office at this address during normal business hours.

The ACD has delegated fund accounting, fund tax and related fund reporting services to JP Morgan Chase Bank N.A London Branch whose address is at 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom.

The Auditors

The Auditors of the Company are PricewaterhouseCoopers LLP, whose address is at Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

The Constitution of the Funds

The Company is structured as an umbrella company and authorised as a UCITS Scheme for the purposes of the FCA Rules.

The Instrument of Incorporation of the Company provides that the contributions of the participants and the profits or income out of which payments are to be made to them are pooled in relation to the separate parts of the property, subject to the collective investment scheme constituted by the Company.

The Funds

The current Funds of the Company are Franklin Absolute Return Bond Fund; Franklin Mutual Shares Fund (no longer available for investment); Franklin Sterling Corporate Bond Fund; Franklin UK Equity Income

Fund; Franklin UK Gilt Fund; Franklin UK Managers' Focus Fund; Franklin UK Mid Cap Fund; Franklin UK Opportunities Fund; Franklin UK Rising Dividends Fund; Franklin UK Smaller Companies Fund; Franklin US Opportunities Fund; Templeton Global Emerging Markets Fund; Templeton Global Total Return Bond Fund and Templeton Growth Fund.

Applications can be made for the purchase of Shares of the available Classes in any of the Funds at a price calculated by reference to the net asset value thereof (plus a preliminary charge as described under the heading "Fees and Charges" in the Prospectus). Shares will be issued at the price prevailing on the relevant Dealing Day.

Additional Funds

As the Company is structured as an umbrella company, different Funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority. On the introduction of any new Fund, a revised prospectus will be prepared setting out the relevant details of each Fund. Approval by the FCA in this context refers only to approval under the OEIC Regulations 2001 (as amended) and does not in any way indicate or suggest endorsement or approval of the Funds as an investment.

Allocation of Assets and Liabilities to Funds

The assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders of the Company generally but they will normally be allocated to the Funds pro rata to the value of the net assets of the relevant Funds.

Please also see the paragraph below "Liabilities of the Company and the Funds", in the "Risk Factors" section.

Minimum Shareholdings

The minimum initial subscription (net of preliminary charges) for A Shares is £1,000. The minimum initial subscription for Z Shares is £1,000, for W Shares is £1,000,000 and for Y Shares it is as agreed with the ACD from time to time. The minimum additional subscription in each case is £250.

Redemption requests may be for a minimum value of £250 of Shares (unless the ACD is asked to redeem all of the Shares of a Shareholder). If by doing so, the holding of A or Z Shares in a Fund would be less than a minimum value of £500, or £100,000 in the case of W Shares, all the holding of Shares in that Fund may require to be redeemed.

The Company may waive the requirements of the preceding two paragraphs in any particular case prescribed by it.

Please see under the heading "The Regular Savings Plan" in this Prospectus for the requirements that apply to the transactions under that plan.

Share Denominations

The rights attaching to the Shares in any of the Funds are expressed in two denominations, being larger denomination Shares and smaller denomination Shares. The smaller denomination Shares are whole Shares, but with fractional rights. The proportion of a larger denomination Share represented by a smaller denomination share is one-thousandth of the larger denomination Share.

Investment Objectives and Policies of the Funds

None of the Funds intend to have an interest in any immovable property or tangible movable property. Each Fund may, on an ancillary basis, hold liquid assets. Such assets may be kept in the form of cash deposits or in short-term money market instruments. Full particulars of the Investment and Borrowing Powers of the Company are set out in Appendix 2.

The Funds established by the Company and their investment objectives and policies are listed below. The investment objectives and policies should be considered in conjunction with the Risk Factors section.

FRANKLIN ABSOLUTE RETURN BOND FUND

What the Fund Aims to Deliver (Fund Objective):

The Fund seeks a positive return (through a combination of income and capital growth) each calendar year. In addition, over a three to five-year period, the Fund aims to outperform the London Interbank Offered Rate (LIBOR) 3 Month (GBP) Index by 2% after all fees and costs are deducted.

There is no guarantee that the Fund will achieve its objective over this or any other time period; capital invested in the Fund is at risk and you may get back less than you paid in.

How we Invest (Investment Policy)

The Fund intends to achieve its objective by investing at least two thirds (but typically significantly more) in:

- debt securities or bonds (a type of debt obligation) issued by governments, government-related entities, supranational organisations and corporations in any industry, anywhere in the world. The Fund will typically limit exposure to bonds that are rated as below investment grade (rated below BBB- by Standard & Poor's or Baa3 by Moody's) to no more than 50% of the total portfolio. These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds.
- derivatives (investments whose value is linked to another investment or the performance of another variable factor, such as interest rates, currencies of any country or indices).

The Fund's managers seek to generate returns from various sources and as such the assets of the Fund may be diversified also by risk type, including credit sectors, currency and duration (a measure of how much a bond's price will change if interest rates change).

The Fund can also invest in distressed securities which may be in, or close to, bankruptcy or administration but still present diverse opportunities to grow in value.

The Fund uses derivatives with the aim of growing capital, providing cost-effective access to different types of investment, reducing short term changes in value or risk and preserving capital and to increase the efficiency of managing the portfolio. The types of derivatives used include but are not limited to: options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference. The Fund may take long and short positions in currencies, debt related markets, securities, groups of securities and indices through derivative and forward currency contracts.

To help the Fund's managers in their aim to meet the Fund's objective they have the freedom to invest a substantial amount of the Fund's assets in any class of debt securities.

Up to 30% of the Fund's Net Asset Value can be invested in currencies other than the British pound (sterling). This does not include currencies hedged back to sterling.

The Fund may also invest in

- bonds whose value is secured by mortgages or other assets (mortgage or asset-backed securities)
- bonds that can be exchanged for shares in the same organisation (convertibles)
- structured products (a type of fixed-term investment whose payout depends on the performance of something else, such as another security or currency)
- other transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund will normally seek to manage the level of portfolio risk within a volatility range of 1 to 3% on an annualised ex ante basis (the estimated future risk over a year). This is with the aim of optimising the level of risk taken for the potential reward.

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

The Fund's performance target is the London Interbank Offered Rate (LIBOR) 3 Month (GBP) Index plus 2%. The London Interbank Offered Rate (LIBOR) 3 Month (GBP) reflects the rate of return investors could typically expect from money markets. The Fund seeks to outperform this rate by 2% over a three to five-year period after allowing for management fees.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Collective Investment Schemes Risk
- Credit-Linked Securities Risk
- Credit Risk
- Defaulted Debt Securities Risk
- Derivative Risk
- Emerging Markets Risk
- Exchange Rate Risk
- Fixed Income Securities Risk
- Interest Rate Risk
- Liquidity Risk
- Mortgage and Asset-Backed Securities Risk
- Mortgage Dollar Roll Risk
- Pre-Payment Risk
- Short Selling Risk
- Sub-Investment Grade Risk
- Swap Agreements Risk

The base currency of the Fund is UK sterling.

The expected level of exposure that could be subject to total return swaps amounts to 5% of the Fund's net assets, subject to a maximum of 50%.

FRANKLIN MUTUAL SHARES FUND (no longer available for investment)

Investment Objective: The Fund's primary objective is long-term capital appreciation by investing primarily in US equity and related debt securities. Income generation is a secondary consideration.

The Fund will pursue these objectives primarily through investment in equity and debt securities of US corporate issuers that are listed or traded on Eligible Markets which the Investment Adviser believes are available at market prices less than their value based on certain recognised or objective criteria ("intrinsic value"). A significant portion of the debt securities in which the Fund invests is expected to be Sub-Investment Grade debt or equivalent unrated securities.

Following this value-orientated strategy, the Fund primarily invests in:

(a) Undervalued equities — common and preferred stock, and securities convertible into common or preferred stock, trading at a discount to intrinsic value;

to a lesser extent, the Fund also invests in:

(b) Merger arbitrage and companies undergoing restructuring — equity and debt securities of companies that are involved in restructurings such as mergers, acquisitions, consolidations, liquidations, spin-offs, or tender or exchange offers; and

(c) Distressed securities — debt securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy.

The Fund's investments in distressed companies typically involve the purchase of lower-rated (or comparable unrated) or defaulted debt securities or other indebtedness, such as syndicated bank debt, of such companies. The Fund generally invests in such debt instruments to achieve capital appreciation, rather than to seek income. Such investments may be made when the Investment Adviser determines that such securities might be subject to an exchange offer or a plan of reorganisation pursuant to which Shareholders of the distressed securities could receive securities or assets in exchange for such securities. Generally, the Fund will invest in such securities at a price which represents a significant discount from the principal amount due at maturity. Investments by the Fund in distressed or defaulted debt securities shall be considered to be investments in securities which are not traded on Eligible Markets and shall therefore be subject to the restriction that such investments, together with other investments which fall into this category, may not exceed 10% of the net asset value of the Fund.

The Investment Adviser employs a research-driven fundamental value strategy for the Fund. In choosing equity investments, the Investment Adviser focuses on the market price of a company's securities relative to the Investment Adviser's own evaluation of the company's asset value, including an analysis of book value, cash flow potential, long term earnings, and multiples of earnings of comparable securities of both public and private companies. Value stock prices are considered "cheap" relative to the company's perceived value and are often out of favour with other investors. The prices of debt obligations of distressed companies also may be "cheap" relative to the value of the company's assets. The Fund invests in such securities if the Investment Adviser believes the market may have over-reacted to adverse developments or failed to appreciate positive changes. The Investment Adviser examines each investment separately and there are no set criteria as to specific value parameters, asset size, earnings or industry type. A portion of the assets of the Fund, which will generally be not more than 20% of its net asset value, may be invested in the securities of non-US issuers, including issuers in emerging markets.

The Fund will limit its investments in transferable securities which are not traded on one or more Eligible Markets to not more than 10% of its net asset value as of the time of investment.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to shareholders in the Fund.

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

The Fund's performance is compared to the S&P 500 Index as it is widely available and reflects investments in the US stock market.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Defaulted Debt Securities Risk
- Emerging Markets Risk
- Equity Risk
- Exchange Rate Risk
- Fixed Income Securities Risk
- Interest Rate Risk
- Liquidity Risk
- Restructuring Companies Risk
- Sub-Investment Grade Risk
- Swap Agreements Risk

The base currency of the Fund is UK sterling.

FRANKLIN STERLING CORPORATE BOND FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to outperform the Markit iBoxx GBP Non-Gilts Index after fees and costs through a combination of income and investment growth over a three to five-year period.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in corporate bonds (a type of debt obligation issued by a company) denominated in sterling.

The Fund's assets will normally be held in investment grade securities (bonds from companies that have been rated by independent agencies as high quality); however, up to 15% of the Fund's assets can be held in bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's). These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds. In addition, the Fund's managers make their own assessment of both investment grade and non-investment grade bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than British pounds.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the Markit iBoxx GBP Non-Gilts Index as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association £ Corporate Bond sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Charges to Capital Risk
- Credit Risk
- Derivative Risk
- Fixed Income Securities Risk
- Interest Rate Risk
- Liquidity Risk
- Sub-Investment Grade Risk
- Swap Agreements Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK EQUITY INCOME FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund's primary aim is to generate an income that is higher than that of the FTSE All-Share Index, together with investment growth over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange. These companies are incorporated/domiciled in the UK or which have significant business operations in the UK.

Typically, the number of holdings in the Fund will vary between 40 to 60 company shares and most of these will be the shares of large (such as those making up the FTSE 100 Index) companies.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium- and small-sized company would typically be no more than 2%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK Equity Income sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Charges to Capital Risk
- Equity Risk
- Liquidity Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK GILT FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to outperform the FTSE UK Gilts (All) Government Total Return Index over a three to five-year period from a combination of income and investment growth, after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in debt obligations or bonds issued by the United Kingdom Government that pay interest (Gilts).

The Fund's managers do not intend to invest in every security in the FTSE UK Gilts (All) Government Total Return Index and up to 20% of the Fund's value can be invested in bonds (debt obligations) issued by governments of any nation or a lesser extent bonds issued by government-related organisations.

All the investments will be in investment grade securities, (bonds that have been rated by independent agencies as high quality). In addition, the Fund's managers make their own assessment of bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than British pounds.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the FTSE UK Gilts (All) Government Total Return Index, as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association UK Gilt sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Charges to Capital Risk
- Derivative Risk
- Fixed Income Securities Risk
- Interest Rate Risk
- Liquidity Risk
- Swap Agreements Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK MANAGERS' FOCUS FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund usually invests in the shares of up to 50 companies consisting of:

- 10-20 large companies (such as those making up the FTSE 100 Index)
- 10-20 medium sized companies (such as those making up the FTSE 250 Index)
- 20 smaller companies (such as those making up the Numis Smaller Companies ex- Investment Trusts Index or the Alternative Investment Market (AIM)).

While the Fund's managers have the freedom to invest up to 10% of the Fund's assets outside of these indices, this would be very unusual, and the result of a very strong opportunity identified in their research or to protect capital in unusual market conditions.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company to between 1% and 3% of the Fund's assets.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Liquidity Risk
- Portfolio Concentration Risk
- Small and Mid-Sized Companies Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK MID CAP FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE 250 (ex-Investment Trusts) Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund will invests at least two thirds (but typically significantly more) in the shares of medium-sized companies that are constituents of the FTSE 250 (ex-Investment Trusts) Index and that are incorporated/ domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1.5% and 5% of the Fund's total value.

The Fund's managers do not intend to invest in every company in the FTSE 250 (ex-Investment Trusts) Index and, while they have the freedom to invest up to 10% of the Fund's assets outside of it, this is rare and typically has been because of changes to an index composition.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

The FTSE 250 (ex-Investment Trusts) Index is the Fund's performance target and constrains the Fund's investment universe. It is widely available and reflects the performance of medium-sized companies.

The Fund's performance may also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Liquidity Risk
- Portfolio Concentration Risk
- Small and Mid-Sized Companies Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK OPPORTUNITIES FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers seek to achieve their growth objective while maintaining volatility (a measure of the size of short-term changes in the value of an investment) at lower levels than that of the FTSE All-Share Index. This often means that the Fund invests in large- or medium-sized companies listed on the London Stock Exchange.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep a shareholding in any individual company to between 1.5% and 5% of the Fund's assets.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and, while they have the freedom to invest up to 10% of the Fund's assets in Continental European companies, this has historically been a rare occurrence.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Liquidity Risk
- Portfolio Concentration Risk
- Small and Mid-Sized Companies Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK RISING DIVIDENDS FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the FTSE All-Share Index by generating a growing level of income, together with investment growth over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. The Fund usually invests in 30-50 companies that have grown their dividend in at least 8 of the past 10 years and not reduced the dividend during that period. Typically, most of these investments will be in the shares of large or medium sized companies (such as those making up the FTSE 350 Index).

The Fund's managers will select only those companies from the FTSE All-Share Index that their research suggests will help them to meet the Fund's objective. They do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk. They try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep shareholding in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium-sized company would typically be between 2% and 2.5% and small-sized companies would typically be no more than 1.5%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Charges to Capital Risk
- Equity Risk
- Liquidity Risk
- Portfolio Concentration Risk

The base currency of the Fund is UK sterling.

FRANKLIN UK SMALLER COMPANIES FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the Numis Smaller Companies ex- Investment Trusts Index over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in shares of smaller companies which are constituents of the Numis Smaller Companies ex-Investment Trusts Index or are listed on the Alternative Investment Market (AIM) exchange and that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund's managers do not intend to invest in every company in the Numis Smaller Companies ex-Investment Trusts Index or AIM but using their expertise and research, select around 40-50 companies they believe will achieve the Fund's objective.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1% and 5% of the Fund's total value.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

The Numis Smaller Companies ex- Investment Trusts Index is the Fund's performance target and constrains the Fund's investment universe. It reflects the performance of smaller companies.

We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Growth Stocks Risk
- Liquidity Risk
- Portfolio Concentration Risk
- Small and Mid-Sized Companies Risk

The base currency of the Fund is UK sterling.

FRANKLIN US OPPORTUNITIES FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the Russell 3000 Growth Index™ over a three to five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in the shares of companies of any size, listed on the United States' stock markets. The managers focus on those stocks that they believe have the potential to grow faster than the US economy. Typically, these types of companies do not pay a dividend and instead reinvest any earnings to aid future growth.

The Fund's managers do not intend to invest in every company in the Russell 3000 Growth Index™. They can invest in any industry but normally try to keep investment in any specific industry to no more than 25% of the portfolio.

Very occasionally and to a much lesser extent, the Fund may also invest in company bonds (debt obligations) that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the Russell 3000 Growth Index™, as it is widely available and reflects growth-oriented investments in the US stock market.
- The Fund's performance can also be compared against the Investment Association North American sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Exchange Rate Risk
- Growth Stocks Risk
- Liquidity Risk
- Portfolio Concentration Risk
- Warrants Risk

The base currency of the Fund is UK sterling.

TEMPLETON GLOBAL EMERGING MARKETS FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the MSCI Emerging Markets Index over a five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at least two thirds (but typically significantly more) in emerging markets (countries whose economy and financial markets are still developing). The Fund typically invests in around 70-90 companies of any size or industry that:

- are listed on an emerging markets stock exchange, or
- are domiciled or conduct a significant proportion of their business in emerging markets, or
- receive a significant amount of their revenues from emerging markets.

To a lesser extent, the Fund may also invest in frontier markets, these are markets that are at earlier stages of their economic and financial market development than emerging markets.

The Fund's managers use research and experience to identify companies that show more potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest.

The Fund's portfolio may include some overlap with the Index but does not intend to replicate it and may vary considerably. The Fund may include shares and countries that are not included in the MSCI Emerging Markets Index.

Typically, to help manage risk, the Fund's managers aim to keep exposure to any single company in a range of 5% more or less than the Index and industry and country exposure in a range of 10% more or less than the MSCI Emerging Markets Index.

In addition, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the MSCI Emerging Markets Index, as it is widely available and reflects investments in stock markets of emerging markets countries.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Emerging Markets Risk
- Equity Risk
- Exchange Rate Risk
- Frontier Markets Risk
- Liquidity Risk
- Non-Regulated Markets Risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Risk
- Undervalued Securities Risk

The base currency of the Fund is UK sterling.

TEMPLETON GLOBAL TOTAL RETURN BOND FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value from a combination of income, capital growth and currency gains over a three to five-year period.

How we Invest (Investment Policy)

The Fund intends to achieve its objective by investing at least two thirds (but typically significantly more) in:

- debt securities or bonds, (a type of debt obligation) issued by governments, government-related, supranational organisations and corporations in any industry, anywhere in the world.
- derivatives, investments whose value is linked to another investment or the performance of another variable factor, such as interest rates, currencies of any country or indices. The types of derivatives used include but are not limited to: options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference.

The Fund will typically limit exposure to bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's) to no more than 50% of the total portfolio. These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds.

The Fund can also invest in distressed securities (those whose issuers may be in or close to bankruptcy or administration), but still present diverse opportunities to grow in value.

To a lesser extent the Fund may also invest in:

- bonds whose value is secured by mortgages or other assets (mortgage or asset-backed securities);
- bonds that can be exchanged for shares in the same organisation (convertibles);
- structured products (a type of fixed-term investment whose payout depends on the performance of something else, such as another security or currency);
- other transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund's managers have the freedom to choose securities that their research indicates have the strongest potential to meet the Fund's objective. They are not constrained by any index.

How we Measure Performance

- We measure performance against the Bloomberg Barclays Multiverse Index, which reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association Global Bond sector average, which reflects the performance of the Fund's competitors.

We measure performance and price shares in the Fund in British pounds (GBP).

For hedged share classes that attempt to remove the impact of changes in foreign exchange rates (ending GBP-H3), we show performance of the comparable index in US dollars (US$).

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Credit-Linked Securities Risk
- Credit Risk
- Defaulted Debt Securities Risk
- Derivative Risk
- Emerging Markets Risk
- Exchange Rate Risk
- Fixed Income Securities Risk
- Frontier Markets Risk
- Hedged Shares – Hedging Risk

- Interest Rate Risk
- Liquidity Risk
- Mortgage and Asset-Backed Securities Risk
- Mortgage Dollar Roll Risk
- Non-Regulated Markets Risk
- Pre-Payment Risk
- Sub-Investment Grade Risk
- Swap Agreements Risk
- Warrants Risk

The base currency of the Fund is UK sterling.

TEMPLETON GROWTH FUND

What the Fund Aims to Deliver (Fund Objective)

The Fund aims to grow in value by more than the MSCI All Country World Index over a five-year period after all fees and costs are deducted.

How we Invest (Investment Policy)

The Fund invests at invests at least two thirds (but typically significantly more) in the shares of a range of companies of any size or industry anywhere in the world.

The Fund's managers use research and experience to identify companies that show more potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest. This includes how growth may be affected by environmental, social or governance risks and opportunities.

The Fund's portfolio may include some overlap with the MSCI All Country World Index but does not intend to replicate it and may vary considerably. It seeks to manage risk by avoiding any unintentional emphasis on a single company, industry or country.

In addition, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

How we Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the Fund's performance target, the MSCI All Country World Index, as it is widely available and reflects investments across global stock markets.
- The Fund's performance can also be compared against the Investment Association Global Equity sector average, which reflects the performance of the Fund's competitors.

Risk Factors

The risk factors listed below are the main risks of the Fund. Shareholders should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the "Risk Factors" section beginning on page 30 for a full description of these risk factors:

- Equity Risk
- Exchange Rate Risk
- Growth Stocks Risk
- Liquidity Risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Risk
- Undervalued Securities Risk

The base currency of the Fund is UK sterling.

Risk Factors

The following are important risk warnings:

GENERAL RISK FACTORS

Investors should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s)' investment objective(s) will be attained. The performance of each Fund will vary depending on the investments held by that individual Fund. When an investor sells Shares, the investor may get back less than the amount originally invested. Neither the ACD nor the Investment Advisers of the Funds, nor any of their worldwide affiliated entities or any other third party, guarantee the performance or any future return of the Company or any of its Funds.

The value of the Shares will increase as the value of the assets owned by any Fund of the Company increases and will decrease as the value of a Fund's assets decrease. In this way, investors participate in any change in the value of the assets owned by a Fund. In addition to the factors that affect the value of any particular asset that a Fund owns, the value of a Fund's Shares may also change with movements in the stock and bond markets as a whole. The income derived from the assets of a Fund may fall as well as rise.

There can be no assurance that any appreciation of the value of the assets will occur and investors may not recoup the original amount they invest in a Fund.

The Shares should be viewed as a medium to long term investment and should therefore only be considered as an investment of five years or longer.

A Fund may own assets of different types, or from different asset classes — such as equities, bonds, money market instruments or derivatives — depending on the Fund's investment objective and policy. For example, a Fund whose objective is long-term capital gain will often invest mostly in equity securities. A Fund whose main objective is to preserve capital in the short term is likely to have most of its holdings in money market instruments.

There is no certainty that the investment objective of any of the Funds will actually be achieved and no warranty or representation is given to this effect.

Different investments have different types of investment risk. The Funds also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risk that may be applicable to a Fund.

The following risk factors apply to all of the Funds:

Cancellation Rights

Where cancellation rights are applicable, if Shareholders choose to exercise their cancellation rights and the value of their investment falls before notice of cancellation is received by the ACD in writing, a full refund of the original investment may not be provided but rather the original amount less any fall in value.

Dilution Adjustment

In certain circumstances a dilution adjustment may be made on the purchase or sale of Shares. In the case of purchases this will reduce the number of Shares acquired, and in the case of sales this will reduce the proceeds. Where a dilution adjustment is not made, existing investors in the Fund in question may suffer dilution which will constrain capital growth.

Effect of Preliminary Charge

Upon the sale of Shares, particularly in the short term, investors may receive less than the original amount invested. The ACD's preliminary charge (see under the heading "Fees and Charges" in this Prospectus) is deducted from an investment at the outset and an equivalent rise in the value of the Shares is required before the original investment can be recovered.

Equity Risk

The value of all Funds that invest in equity and equity related securities will be affected by economic, political, market, and issuer specific changes. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations in a Fund's value are often exacerbated in the short term as well. The risk that one or more companies in a Fund's portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period. To gain the full benefits of equity investing, a long-term view is usually advised.

Exchange Rate Risk

Movements in exchange rates may cause rises or falls in the value of a Fund's Shares and any assets held by a Fund which are denominated in a different currency to that of the base currency of a Fund. (Funds whose strategy includes currency hedging will seek to minimise or remove this risk).

The value of these investments may decrease if the currency in which they are traded falls relative to a Fund's (or the Class') base currency. As a result, currency fluctuations may indirectly affect the value of a Fund's investments and, in turn, may also adversely affect the value of Shares held by a Shareholder.

Save for Hedged Share Classes, Funds are not required to hedge their foreign currency risk (although they may do so). To the extent that a Fund does not hedge its foreign currency risk, the value of that Fund's assets and income could be adversely affected by currency exchange rate movements.

Fixed Income Securities Risk

Government fixed income securities are mainly sensitive to changes in macro policy and associated interest rate trends, and additionally in the case of bonds issued by Governments in emerging markets factors such as political and economic instability, social unrest and potentially default. In addition to being affected by the general economic climate, bonds issued by companies can also be affected by events specific to the company itself or the industry sector in which it operates.

Inflation Risk

Inflation can affect the real value of a Shareholder's savings and investments which may reduce the buying power of the money they have saved and their investments.

Collective Investment Schemes Risk

Each Fund may invest in other regulated collective investment schemes (which may include exchange traded funds ("ETFs") and closed-end funds). As an investor in another collective investment scheme, a Fund will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which a Fund bears directly with its own operations. As the Fund's allocations among the Collective Investment Schemes change from time to time, or to the extent that the expense ratios of the underlying funds change, the expenses borne by the Fund may increase or decrease.

A Fund's investments in Collective Investment Funds may subject the Fund to additional risks than if the Fund would have invested directly in the Collective Investment Schemes' underlying securities. These risks include the possibility that an unregistered fund or an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities. An ETF or a closed-end fund may trade at a premium or discount to its net asset value, as shares of such a Collective Investment Scheme are bought and sold on exchanges based on market values and not at the Collective Investment Scheme's net asset value. In addition, the determination of Net Asset Value of the Shares of any particular Collective Investment Scheme held by a Fund may be suspended. In the event this were to happen, it could impede the ability of a Fund to meet a redemption request.

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

There can be no assurance that the selection of the managers of Collective Investment Schemes will result in an effective diversification of investment styles and that positions taken by the underlying Collective Investment Schemes will always be consistent. In addition, neither a Fund nor its Investment Adviser will generally be part of the valuation process of the Collective Investment Scheme; nor will they have any rights to appoint or dismiss the persons responsible for valuations of the Collective Investment Schemes. There is a risk that the portfolio of the Collective Investment Schemes may from time to time be overvalued or undervalued. In addition, a Collective Investment Scheme may not apply the same valuation methodology applied to a Fund or any other Collective Investment Scheme evaluating their respective portfolios.

Liabilities of the Company and the Funds

Under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in regulations 11A and 11B of the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

Shareholders are not however liable for the debts of the Company. A Shareholder is not obliged to make any further payment to the Company after he has paid the purchase price of the Shares.

Past Performance

Past performance is not a guide to the future performance of a Fund.

Regular Savings Plan

If a Shareholder starts making regular monthly investments with a view to saving for a specific objective, they should regularly review whether these investments will be sufficient to achieve their objective. Shareholders may not achieve their objective if they do not continue to invest regularly with a sufficient amount, or their investments do not appreciate sufficiently.

Stock Lending Risk

The Company may lend each Fund's assets to specialised banks, credit institutions and other financial institutions of high standing, or through recognised clearing institutions such as Clearstream or Euroclear. The lending of assets will be made for periods not exceeding thirty (30) calendar days. Loans will be secured continuously by collateral which at the conclusion of the lending agreement, must be at least equal to the value of the global valuation of the assets of each Fund lent.

The Company has the power to undertake stock lending but, as at the date of this prospectus, does not do so.

Tax Changes

Exemptions, thresholds and rates of tax are subject to change by the Government at any time. Please note that the tax treatment of investors depends on their individual circumstances and may be subject to change in the future,

SPECIFIC RISK FACTORS

Whilst the portfolio composition of each Fund is required to comply with the broad statutory limits in the FCA Rules, risk-concentration may occur in regard of certain tighter asset classes, economic and geographic sectors or according to a specific investment strategy. An investor should therefore pay close attention to the investment strategy and specific risks of each Fund.

Charges to Capital Risk

Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund and Franklin UK Rising Dividends Fund may charge some or all of their fees and expenses to the Fund's capital account. Where charges (i.e. fees and expenses) are taken from capital this may increase the amount of income (which may be taxable) available for accumulation or distribution to Shareholders in these Funds but may constrain capital growth.

Credit-Linked Securities Risk

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

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

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

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

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

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

Credit Risk

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

Defaulted Debt Securities Risk

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

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Fund's portfolio defaults, the Fund may have unrealised losses on the security, which may lower the Fund's net asset value per Share. Defaulted securities tend to lose much of their value before they default. Thus, the Fund's

net asset value per Share may be adversely affected before an issuer defaults. In addition, the Fund may incur additional expenses if it must try to recover principal or interest payments on a defaulted security. Included among the issuers of debt securities or obligations in which the Company may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

Derivative Risk

Under the FCA Rules, derivatives can be used for the purposes of efficient portfolio management as well as to meet the investment objective of the Funds. Derivatives can be exchange traded or Over the Counter (OTC) derivatives.

Franklin Absolute Return Bond Fund, Franklin Sterling Corporate Bond Fund, Franklin UK Gilt Fund and Templeton Global Total Return Bond Fund are currently the only Funds investing in derivatives as part of their investment objectives. Other Funds may do so, subject to prior Shareholder notification.

The use of derivative instruments and hedging transactions may or may not achieve their intended objective and involve special risks.

The Funds may make use of efficient portfolio management ("EPM") techniques to reduce risk and/or costs in the Funds and to produce additional capital or income in the Funds. Techniques used by a Fund may include using derivatives for hedging, using derivatives to acquire an asset at lower cost or to take advantage of pricing imperfections, and using derivatives for the purpose of receiving a premium for the writing of covered call or put options. As an extension of efficient portfolio management, the Depositary may, at the request of the ACD, enter into stock lending transactions and repo contracts. See paragraphs 28 and 29 in Appendix 2 for more information on efficient portfolio management.

It is not intended that using derivatives for EPM will increase the volatility of the Funds and indeed EPM is intended to reduce volatility. In adverse situations, however, a Fund's use of derivatives may become ineffective in hedging or EPM and a Fund may suffer significant loss as a result. A Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations.

Any income or capital generated by EPM techniques will be paid to the relevant Fund.

Performance and value of derivative instruments depend on the performance or value of the underlying asset. Derivative instruments involve cost, may be volatile, and may involve a small investment relative to the risk assumed. Their successful use may depend on the ACD and/or the Investment Adviser's ability to predict market movements. Risks include delivery failure, default by another party or the inability to close out a position because the trading market becomes illiquid. Some derivative instruments are particularly sensitive to changes in interest rates. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund's risk of loss is limited to the net amount due. OTC derivative instruments involve a higher degree of risks as OTC markets are less liquid and regulated.

The ACD has thus drafted a derivative risk management process in conjunction with the Depositary and which has been filed with the FCA. This document describes the appropriate controls that are in place to oversee and manage derivative exposure. Furthermore, it is the ACD's intention that derivatives will only be used when it is in the best interests of the relevant Fund and only in a manner that is reasonably likely to enhance the Fund's returns.

The ACD may use one or more separate counterparties to undertake derivative transactions on behalf of these Funds and may be required to pledge collateral paid from within the assets of the relevant Fund to secure such contracts. The Company is only permitted to enter into derivative instruments for the Funds with counterparties included on the "approved list" maintained by the ACD in conjunction with the counterparty credit risk policy. This control reduces any unacceptable counterparty credit risk exposure.

- Control and Monitoring Risk

  Derivative products are highly specialised instruments that require investment techniques and risk analysis which are different from those associated with equity and fixed income securities. The use of

derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Funds and the ability to forecast the relative price, interest rate or currency rate movements correctly.

- Counterparty Risk

  The Funds may enter into transactions in OTC markets, which will expose the Funds to the credit risk of its counterparties and their ability to satisfy the terms of such contracts. A Fund may be required to pledge or transfer collateral paid from within the assets of the relevant Fund to secure such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Funds could experience delays in liquidating the position and significant losses, including the collateral pledged, declines in the value of investment during the period in which a Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. The ACD or the Investment Adviser measures the credit worthiness of counterparties as part of the risk management process. The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the Investment Adviser.

- Covered Call Option Risk

  Where a Fund writes a covered call option which can be settled in cash but does not own the asset to which the option relates, it may instead hold cash, liquid debt instruments or other highly liquid assets having regard to their correlation with the asset to which the option relates as cover for the call option. In such circumstances, the Fund may be required to close out derivative positions or sell other assets to generate cash or the funds to buy additional liquid debt instruments or other highly liquid assets in order to ensure that the Fund has sufficient cover for the call options.

- Liquidity Risk related to Derivatives

  Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Funds will only enter into OTC derivatives if these are allowed to liquidate such transactions, at any time, at fair value).

- Other Risks

  Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to the Funds. However, this risk is limited as the valuation method used to value OTC derivatives must be verifiable by an independent auditor.

Derivatives do not always closely track the value of the underlying securities, rates or indices they are designed to track.

Emerging Markets Risk

Some Funds may invest in emerging market countries. Investments in certain emerging markets in which the Funds may invest entail specific risk factors to which investors in more developed markets might not be otherwise exposed. Such risks include:

(i) currency devaluations and other currency exchange rate fluctuations;

(ii) political uncertainty and instability;

(iii) more substantial government involvement in the economy;

(iv) higher rates of inflation;

(v) less government supervision and regulation of the securities markets, and participants in those markets;

(vi) controls on foreign investment and limitations on repatriation of invested capital and on an investor's ability to exchange local currencies for convertible currencies;

(vii) greater price volatility, substantially less liquidity and significantly smaller market capitalisation of securities markets; and

(viii) custody and settlement systems which may be less developed. In addition, accounting, auditing and reporting standards, practices and disclosure requirements applicable in some less developed markets may differ from those in more developed markets in that less information is available to investors and such information may be out of date.

Accordingly, investors should be aware that investments in emerging market countries are more speculative in nature and are subject to greater market fluctuations and risk of loss than investments in more developed countries. An investment in a Fund which invests in emerging market countries should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. For the avoidance of doubt, investments in emerging markets include investments in Russia. You should be aware that although the registrar companies which provide share registration services to issuers of Russian securities are appropriately licensed in Russia, they may not be subject to the tight controls as in more developed countries. This may mean that the Company may not secure good title to the Russian securities held by the Depositary.

Frontier Markets Risk

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

Growth Stocks Risk

Funds investing in growth stocks can be more volatile and may react differently to economic, political, market and issuer specific developments than the overall market. Historically, the prices of growth stocks have been more volatile than other securities, especially, over short-term periods of time. Growth stocks may also be more expensive, relative to their earnings, than the market in general. As such, growth stocks can experience greater volatility in reaction to changes in earnings growth.

Hedged Shares - Hedging Risk

The Funds may implement currency hedging strategies with regards to Hedged Share Classes as more fully described under "The Characteristics of Shares in the Funds".

If investors do not invest in a Hedged Share Class, investors are not expected to be affected by the associated currency hedging strategies for that Class.

Hedging transactions are designed to reduce, as much as possible, the currency risk for investors. However, there is no guarantee that attempts to hedge currency risk will be successful and no hedging strategy can eliminate currency risk entirely. Should a hedging strategy be incomplete or unsuccessful, the value of that Fund's assets and income can remain vulnerable to fluctuations in currency exchange rate movements.

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

Any financial instruments used to implement such hedging strategies shall be assets and/or liabilities of the relevant Fund as a whole but, in effect, will be attributable to the relevant Hedged Share Class only. Any gains/losses on and the costs of the relevant financial instruments will accrue solely to such Share Class.

As a result, investors may be exposed to fluctuations in the net asset value per Share reflecting the gains/losses on and the costs of the hedging transactions and the relevant financial instruments.

In the case of a net investment flow to or from a Hedged Share Class, the hedging strategies may not be accurately adjusted and reflected in the net asset value of the said Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

Furthermore, any currency exposure of a Hedged Share Class may not be combined with or offset against that of any other Share Class of the relevant Fund. The currency exposure of the assets attributable to a Hedged Share Class may not be allocated to other Classes.

Fund performance could be very different from one Share Class to another within the same Fund. More specifically, where a Fund whose investment strategy is based on a currency ("Currency of Return") different from the Funds' base currency and who offers Hedged Shares and non-hedged Shares, investors who wish to invest in the non-hedged Shares must be aware that total returns for the non-hedged Share Class will be maximised in the Currency of Return and restated into the Fund's base currency at the prevailing rate. As a result, actual returns expressed in the Fund's base currency will vary over time in accordance with the fluctuations of the exchange rate between the Currency of Return and the Fund's base currency.

Interest Rate Risk

A fixed income security's value will generally increase when interest rates fall and decrease when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect the net asset value of a Fund which invests in such securities. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect a Fund's interest income, such changes may positively or negatively affect the value of the Fund's Shares on a daily basis.

Leverage Risk

While cash borrowing for investment purposes (traditional leveraging) is not permitted for UCITS funds, some leverage exposure may be obtained through the use of financial derivative instruments. Some Funds may have a high level of leverage obtained through financial derivative instruments regardless of their use, i.e. for investment purposes or hedging purposes. As an example, financial derivative instruments used to reduce risk also contribute to an increase of the level of leverage of a given Fund when expressed in notional terms. Certain financial derivative instruments have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. As a result, a relatively small price movement in a derivative contract may result in substantial losses to the relevant Fund.

LIBOR Transition

LIBOR (London Inter-bank Offered Rate) is intended to reflect the interest rate that wholesale banks expect to pay each other to borrow money (without providing security). LIBOR is widely used in financial products, including some of the Funds' investments, as a reference to determine an amount to be paid. From the end of 2021, the banks that contribute to the setting of LIBOR will no longer be required to do so, and LIBOR is expected to become obsolete. It is expected that a different rate, SONIA, will replace LIBOR over time.

Franklin Templeton have set up a programme and working group to examine the potential impact of the transition from LIBOR on its products, including the Funds. This working group monitors market and regulatory developments in order to prepare the Funds for an orderly transition and to ensure, in so far as is possible, that any related disruption is minimised. [As part of the programme, each of Franklin Templeton's business functions has completed an impact assessment for the proposed transition with a view to ensuring that all related plans are carried out in good time and in the best interests of clients.

Liquidity Risk

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of a Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request.

Markets where the Fund's securities are traded could also experience such adverse conditions as to cause exchanges to suspend trading activities. Reduced liquidity due to these factors may have an adverse impact on the Net Asset Value of the Fund and, as noted, on the ability of the Fund to meet redemption requests in a timely manner.

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

Mortgage and Asset-Backed Securities Risk

Mortgage-backed securities differ from conventional debt securities because the principal is paid back over the life of the security rather than at maturity. The Fund may receive unscheduled prepayments of the principal before the security's maturity date due to voluntary prepayments, refinancing or foreclosure on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid. Mortgage prepayments generally increase when interest rates fall.

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

Mortgage Dollar Roll Risk

Some Funds may engage in mortgage dollar roll transactions. In a mortgage dollar roll, a Fund sells mortgage-backed securities for delivery to the counterparty in the current month and simultaneously contracts to repurchase substantially similar (name, type, coupon, and maturity) securities on a specified future date. During the period between the sale and repurchase (the "roll period"), the Fund foregoes principal and interest paid on the mortgage-backed securities. The Fund is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the "drop"), as well as by the interest earned on the cash proceeds of the initial sale. The Fund could suffer a loss if the contracting party fails to perform the future transaction and the Fund is therefore unable to buy back the mortgage-backed securities it initially sold. Mortgage dollar rolls will be entered into only with high quality government securities dealers and member banks of the US Federal Reserve System.

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

Non-Regulated Markets Risk

Some Funds may invest in securities of issuers in countries whose markets do not qualify as regulated markets due to their economic, legal or regulatory structure, and therefore these Funds may not invest more than 10% of their net assets in such securities.

Portfolio Concentration Risk

The performance of a Fund which typically invests in relatively few holdings will at times be more influenced by fluctuations in the value of individual securities and as such may be more volatile than a Fund with a greater number of securities.

Pre-Payment Risk

Certain fixed income securities give an issuer the right to buy back its securities, before their maturity date, in periods of declining interest rates. The possibility of such "pre-payment risk" may force the Fund to reinvest the proceeds of such investments in securities offering lower yields, thereby reducing the Fund's interest income.

Restructuring Companies Risk

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

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Risk

Certain Funds may invest and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect (together referred to as "Stock Connect"). Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), Shanghai Stock Exchange ("SSE") and China Securities Depository and Clearing Corporation Limited ("ChinaClear"). Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEx, Shenzhen Stock Exchange ("SZSE") and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between mainland China and Hong Kong.

Stock Connect comprises two Northbound Trading Links, one between SSE and the Stock Exchange of Hong Kong ("SEHK"), and the other between SZSE and SEHK. Stock Connect will allow foreign investors to place orders to trade eligible China A Shares listed on the SSE (the "SSE Securities") or on the SZSE ("SZSE Securities") (the SSE Securities and the SZSE Securities shall collectively be referred to as the "Stock Connect Securities") through their Hong Kong based brokers.

The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on the SEHK, except (i) those SSE-listed shares which are not traded in Renminbi (RMB) and (ii) those SSE-listed shares which are included in the "risk alert board". The list of eligible securities may be changed subject to the review and approval by the relevant mainland China regulators from time to time. The SZSE Securities include all the constituent stocks from time to time of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which has a market capitalisation of at least RMB 6 billion, and all the SZSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except those SZSE-listed shares (i) which are not quoted and traded in RMB, (ii) which are included in the "risk alert board"; (iii) which have been suspended from listing by the SZSE; and (iv) which are in the pre-delisting period. The list of eligible securities may be changed subject to the review and approval by the relevant mainland China regulators from time to time.

Further information about Stock Connect is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Documents/Investor_Book_En.pdf.

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A-Shares and regulatory risk.

- Quota limitations

  The Stock Connect programmes are subject to a daily quota limitation, which may restrict the a Funds' ability to invest in Stock Connect Securities through Stock Connect programmes on a timely basis. In particular, once the Northbound daily quota is reduced to zero or the Northbound daily quota is exceeded during the opening call session, new but orders will be rejected (although investors will be allowed to sell their cross-boundary securities regardless of the quota balance).

- Suspension risk

  Each of the SEHK, SZSE and SSE reserve the right to suspend trading if necessary to ensure an orderly and fair market and that risks are managed prudently. In the case of a suspension, the Funds' ability to access the mainland China market will be adversely affected.

- Differences in trading day

  Stock Connect only operates on days when both mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. Due to the difference in trading days between the mainland China and Hong Kong markets there may be occasions when it is a normal trading day for the mainland China market but not in Hong Kong and accordingly the Funds cannot carry out any Stock Connect Securities trading. The Funds may therefore be subject to a risk of price fluctuations in China A-Shares during periods when Stock Connect is not operational.

- Restrictions on selling imposed by front-end monitoring

  Mainland China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise both SSE and SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

- Clearing settlement and custody risks

  The Hong Kong Securities Clearing Company Limited ("HKSCC"), a wholly-owned subsidiary of HKEx and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the mainland China securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("CSRC"). The chances of ChinaClear default are considered to be remote.

  Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

  The China A-Shares traded through Stock Connect are issued in scripless form, so investors, such as the relevant Funds, will not hold any physical China A-Shares. Hong Kong and overseas investors, such as the Funds, who have acquired Stock Connect Securities through Northbound trading should maintain the Stock Connect Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to Stock Connect is available upon request at the registered office of the Company.

- Operational risk

  Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

  It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

  Further, the "connectivity" in the Stock Connect programme requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("China Stock Connect System") to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The relevant Funds' ability to access the China A-Share market (and hence to pursue their investment strategy) will be adversely affected.

- Nominee arrangements in holding China A-Shares

  HKSCC is the "nominee holder" of the Stock Connect Securities acquired by overseas investors (including the relevant Fund(s)) through Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Funds enjoy the rights and benefits of the Stock Connect Securities acquired through Stock Connect in accordance with applicable laws. However, the courts in mainland China may consider that any nominee or custodian as registered holder of Stock Connect Securities would have full ownership thereof, and that even if the concept of beneficial owner is recognised under mainland China law those SSE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant Fund(s) and the Depositary cannot ensure that the Fund's ownership of these securities or title thereto is assured in all circumstances.

  Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or

court proceeding to enforce any rights on behalf of the investors in respect of the Stock Connect Securities in mainland China or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognised, these Funds may suffer difficulties or delays in enforcing their rights in China A-Shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depositary and the relevant Fund(s) will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that a Fund suffers losses resulting from the performance or insolvency of HKSCC.

- Investor compensation

  Investments of the relevant Funds through Northbound trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

  Since default matters in Northbound trading via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the relevant Funds are carrying out Northbound trading through securities brokers in Hong Kong but not mainland China brokers, therefore they are not protected by the China Securities Investor Protection Fund in mainland China.

- Trading costs

  In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Funds may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

- Mainland China tax consideration

  The Management Company and/or Investment Manager reserve the right to provide for tax on gains of the relevant Fund that invests in mainland China securities thus impacting the valuation of the relevant Funds. With the uncertainty of whether and how certain gains on mainland China securities are to be taxed, the possibility of the laws, regulations and practice in mainland China changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Management Company and/or the Investment Manager may be excessive or inadequate to meet final mainland China tax liabilities on gains derived from the disposal of mainland China securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they purchased and/or sold their shares in/from the relevant Fund.

  On 14 November 2014, the Ministry of Finance, State of Administration of Taxation and CSRC jointly issued a notice in relation to the taxation rule on Stock Connect under Caishui 2014 No.81 ("Notice No.81"). Under Notice No.81, corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (such as the Funds) on the trading of China A-Shares through Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors (such as the Funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

- Regulatory risk

  The CSRC Stock Connect rules are departmental regulations having legal effect in mainland China. However, the application of such rules is untested, and there is no assurance that mainland China courts will recognise such rules, e.g. in liquidation proceedings of mainland China companies.

  Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connect.

  The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that Stock Connect will not be abolished. The relevant Funds which may invest in the mainland China markets through Stock Connect may be adversely affected as a result of such changes.

Short Selling Risk

Typically, UK open-ended investment companies, such as the Company, invest on a "long only" basis. This means that their net asset value will rise (or fall) in value based on the market value of the assets they hold. Some of the Funds, by employing certain derivative techniques, will establish both "long" and "short" positions in individual stocks and markets. As a result, as well as holding assets that may rise or fall with markets, they may also hold positions that will rise as the market value falls, and fall as the market value rises.

Small and Mid-Sized Companies Risk

The stock prices of small and mid-sized companies can perform differently than larger, more recognised, companies and have the potential to be more volatile. A lower degree of liquidity in their securities, a greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may all contribute to such increased price volatility. Additionally, smaller companies may be unable to generate new monies for growth and development, may lack depth in management, and may be developing products in new and uncertain markets all of which are risks to consider when investing in such companies. These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and emerging markets, especially as the liquidity of securities issued by companies in emerging markets may be substantially smaller than with comparable securities in industrialised countries.

Sub-Investment Grade Risk

Investments in fixed income securities which hold a Sub-Investment Grade credit rating are subject to a greater risk that such investments cannot be readily sold or that the issuer could default on its obligations causing a Fund to sustain losses on such investments. A Fund which invests in such securities will seek to limit such risks by in-depth credit research and careful securities selection but there can be no assurance it will not acquire securities with respect to which the issuer subsequently defaults. Sub-Investment Grade debt securities are speculative and involve a greater risk of default and price changes due to changes in the issuer's creditworthiness. The market prices of these debt securities fluctuate to a greater extent than Investment Grade debt securities and may decline significantly in periods of general economic difficulty or uncertainty.

Accordingly, investors should be aware that Sub-Investment Grade debt securities are speculative in nature and are subject to greater market fluctuations and risk of loss of principal and income than Investment Grade securities. An investment in a Fund which invests in such securities should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

Swap Agreements Risk

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

Whether the Company's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Managers to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Company bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

Undervalued Securities Risk

Funds seeking investments with significant growth potential are likely to target what they perceive to be undervalued securities. Undervalued securities can be unpopular with other stock market investors, who may not recognise their potential in the short term. As such, Funds investing in this type of security may experience short-term falls in performance.

Warrants Risk

Investments in and holding of warrants may result in increased volatility of the net asset value of certain Funds, which may make use of warrants, and accordingly is accompanied by a higher degree of risk.

Typical Investor Profile

Typical Shareholders in the Funds want to invest for the potential of a higher income and/or higher capital growth than they could ordinarily achieve from a bank or building society account over the longer term.

They understand that purchasing Shares in any of the Funds carries a greater degree of risk than holding cash in a bank or building society account and that the Fund does not guarantee to provide either a regular income or capital growth. Typical investors understand the risks involved in investing, particularly those highlighted in this Prospectus and are therefore prepared to invest over a medium to long term period.

The Funds are available for both retail and professional investors. We suggest all prospective investors, but in particular retail investors, seek guidance from a professional financial adviser before investing.

Accounting Reference and Other Dates

Subject to the FCA Rules, the accounting reference dates, interim accounting reference dates, distribution pay dates, grouping periods and dates of publication of annual and half-yearly reports of each of the Funds are as follows:

Accounting Reference Date (i.e., the financial year end) and Interim Accounting Period: 31 March and 1 April to 30 September

Publication of Annual and Half-Yearly Reports: by 31 July and 30 November

Fund	Distribution Period	Distribution Pay Dates*	DistributionType
Franklin Absolute Return Bond Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Interest
Franklin Mutual Shares Fund (no longer available for investment)	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend
Franklin Sterling Corporate Bond Fund	31 March (final), 30 June, 30 September and 31 December (interim)	31 May, 31 August, 30 November and 28 February**	Interest
Franklin UK Equity Income Fund	31 March (final), 30 June, 30 September and 31 December (interim)	31 May, 31 August, 30 November and 28 February**	Dividend
Franklin UK Gilt Fund	31 March (final), 30 June, 30 September and 31 December (interim)	31 May, 31 August, 30 November and 28 February**	Interest
Franklin UK Managers' Focus Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend
Franklin UK Mid Cap Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend
Franklin UK Opportunities Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend
Franklin UK Rising Dividends Fund	31 March (final), 30 June, 30 September and 31 December (interim)	31 May, 31 August, 30 November and 28 February**	Dividend
Franklin UK Smaller Companies Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend
Franklin US Opportunities Fund	31 March (final)	31 May	Dividend
Templeton Global Emerging Markets Fund	31 March (final)	31 May	Dividend
Templeton Global Total Return Bond Fund	31 March (final), 30 June, 30 September and 31 December (interim)	31 May, 31 August, 30 November and 28 February**	Interest
Templeton Growth Fund	31 March (final) and 30 September (interim)	31 May and 30 November	Dividend

*Or the last Business Day of the relevant period if the Distribution Pay Dates are not Business Days in any particular year.

** 29 February in a leap year

At the date of this Prospectus, income equalisation is applicable to all Funds.

Long reports will be made up to such date each year and published within four months in the case of annual reports and two months in the case of half-yearly reports. The accounts contained in the annual and half-yearly reports will be prepared in accordance with the FCA Rules and the Statement of Recommended Practice for Financial Statements of Authorised Funds. A copy of the long report will be available on request from the ACD at Cannon Place, 78 Cannon Street, London, EC4N 6HL.

Under the FCA Rules the ACD may, subject to notifying the Depositary, elect that a particular annual or half-yearly accounting period end on a day which is not more than seven days after and not more than seven days before the day on which the period would otherwise end.

List of Eligible Markets

Details of the eligible securities and derivatives markets through which each of the Funds may invest or deal under the FCA Rules, are set out in Appendix 1.

Investment and Borrowing Powers and Restrictions

The types of property which may be included in each of the Funds and the extent to which each Fund may be invested in such property is limited by the provisions of Chapter 5 (Investment and Borrowing Powers) of the FCA Rules which apply to each of the Funds. The investment limits that apply in respect of each Fund are set out in Appendix 2. The extent to which the Company may enter into stock lending arrangements, derivative transactions and the limitations on the right of the Company to borrow are also governed by the FCA Rules and are set out at Appendix 2.

Termination of a Fund: Winding Up of the Company

Details of the powers of the Company to terminate a Fund and as to the winding up of the Company are set out in Appendix 3.

The Characteristics of Shares in the Funds

Each Shareholder is entitled to participate in the property of the relevant Fund and the income thereof. The nature of the right represented by Shares in each Fund is that of a beneficial interest in Shares of a company. The title to the Shares of each Fund is evidenced by entries on a register of Shareholders and no certificate evidencing title thereto will be issued.

The Share Classes which may be made available at the ACD's discretion are summarised in the table below:

Classes Of Share	
A	Net Income and Net Accumulation Hedged Classes H1 Income and H1 Accumulation H2 Income and H2 Accumulation H3 Income and H3 Accumulation
S	Net Income and Net Accumulation Gross Income and Gross Accumulation Hedged Classes H1 Income and H1 Accumulation H2 Income and H2 Accumulation H3 Income and H3 Accumulation

Classes Of Share	
W	Net Income and Net Accumulation Gross Income and Gross Accumulation Hedged Classes H1 Income and H1 Accumulation H2 Income and H2 Accumulation H3 Income and H3 Accumulation
Y	Net Income and Net Accumulation Gross Income and Gross Accumulation Hedged Classes H1 Income and H1 Accumulation H2 Income and H2 Accumulation H3 Income and H3 Accumulation
Z	Net Income and Net Accumulation Gross Income and Gross Accumulation Hedged Classes H1 Income and H1 Accumulation H2 Income and H2 Accumulation H3 Income and H3 Accumulation

All Shares, including those which employ hedging and/or are available in an alternative currency, in the same Class (A, I, S, W, Y or Z) are subject to the terms and conditions applicable to that Class.

A Net Income Share is a Share in respect of which net income is to be distributed in accordance with its share in the property of the relevant Fund. Cash distributions of income are made in respect of Net Income Shares.

A Net Accumulation Share is a Share in respect of which the net income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where Net Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the income available for distribution is re-invested and the re-investment reflected in the price of the Net Accumulation Share.

Gross Accumulation Shares and Gross Income Shares are Shares in respect of which the gross income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where Gross Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the gross income is available for distribution.

In addition, the Company may offer within a Fund the following Shares:

Hedged Shares

(a) H1 Shares:

H1 Shares are designed for those investors who wish to purchase Shares in a Fund using a currency different to the Fund's base currency but who also wish to limit their exposure to changes in the exchange rate between the currency of their H1 Shares and the Fund's base currency. H1 Shares include a hedging strategy which aims to reduce the effect on investment returns of changes in the exchange rate between the Fund's base currency and the denomination of the H1 Share subscribed for on investment returns.

H1 Shares in a Fund are issued in a currency ("Alternative Currency") different from the Fund's base currency. The net asset value of H1 Share classes are calculated and published in the Alternative Currency. Subscription proceeds for these Classes are paid by investors, and redemption proceeds are paid to redeeming Shareholders, in the Alternative Currency.

Alternative Currency Shares are or will be offered in the following currencies:

- Euro (abbreviated EUR)

- US dollar (abbreviated USD)
- UK sterling (abbreviated GBP)
- Swedish krona (abbreviated SEK)
- Norwegian krone (abbreviated NOK)
- Swiss franc (abbreviated CHF)
- Australian Dollar (abbreviated AUD)

The ACD may at its discretion decide to offer Shares in another currency to those stated above.

(b) H2 Shares:

H2 Shares are designed for those Funds that hold a significant portion of securities traded in a currency, or currencies, ("Currency/ies of Investment") other than the Funds' base currency. The value of such securities may decrease if the Currency/ies of Investment fall(s) relative to the base currency. Therefore, the hedging strategy within the H2 Share Class aims to reduce, as far as possible, the influence of changes in the exchange rate between the Fund's base currency and the currency/ies of securities held by the Fund.

(c) H3 Shares:

H3 Shares are designed for those Funds whose investment strategy is based on a currency ("Currency of Return") different from the Funds' base currency. H3 Share Classes include a hedging strategy which attempts, to the extent possible, to reduce the influence of changes in the exchange rate between the Funds' base currency and the Currency of Return.

Features of Hedged Share Classes

Hedged Share Classes aim to achieve their objective by using financial instruments such as currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps as a hedge. For Hedged Share Classes, these transactions are not actively managed as part of the portfolio or investment process.

All profits, losses and expenses associated with currency hedging transactions entered into in relation to a Hedged Share Class will be allocated solely to the said Share Class. There is no guarantee that attempts to hedge currency risk will be successful and no hedging strategy will eliminate currency risk entirely having regard to the costs of hedging, the nature of the instruments and the level of hedge coverage at any point in time. Investors are advised to read "Risk Factors" on page 30 for a description of the specific risks associated with investing in Hedged Shares.

Other Share Classes

Class S Shares shall only be offered in limited circumstances to selected distributors and/or brokers/dealers and subject to separate agreement and who at the discretion of the ACD may be considered wholesale investors by dealing in large volume and/or providing services to other investors. In addition, Class S Shares may be offered to professional investors and/or other investors at the discretion of the ACD.

The Company will not issue, Switch or Convert Class S Shares to any Investor who is deemed by the ACD not to meet the above requirements. If it is identified at any time that a holder of Class S Shares does not qualify, or no longer qualifies, the ACD will compulsorily redeem the Shares at its discretion and upon the giving of 30 days' notice in writing to the relevant holder. Any redemption proceeds will be paid to the Investor. In such circumstances, the Investor may not receive the full proceeds of the original investment, but the original amount less any fall in value.

Class W Shares may be offered in certain limited circumstances for distribution through certain large distributors and platforms having separate fee arrangements with their clients and who at the discretion of the ACD are considered wholesale investors providing services to other investors. In addition, Class W Shares may be offered to professional and/or other investors at the discretion of the ACD.

Shareholders are entitled (subject to certain restrictions) to Convert all or part of their Shares in a Class of a Fund for Shares of another Class within the same Fund or to Switch Shares in one Fund for Shares within a different Fund of the Company. Details of this Switching and Conversion facility and the restrictions are set out below in the section "Conversion and Switching of Shares".

The Company will not issue, Switch or Convert Class W Shares to any investor who is deemed by the ACD not to meet the requirements above. If it is identified at any time that a holder of Class W Shares does not qualify or no longer qualifies, the ACD will instruct the investor to Switch or will Convert its Class W Shares into an eligible

Share Class. If a Switch or Conversion is not executed, the Company will, at its discretion, redeem the Shares upon the giving of 30 days' notice in writing to the relevant holder. In such circumstances, the investor may not receive the full proceeds of the original investment, but the original amount less any fall in value.

Class Y Shares are available to other entities within the Franklin Templeton group at the ACD's discretion. Before the ACD can accept a subscription into the Y Share Class, a legal agreement must be in place between the investor and the ACD containing terms specific to investment in the Y Share Class, including the level of fees and the minimum investment amount.

A summary of Share Classes which are launched and available for investment as at the date of this prospectus is shown below.

Class A Shares will no longer be available to direct retail investors. Class A Shares will continue to be available for non-advised execution only and discretionary sales, as well as for current regular subscriptions of existing Shareholders. They will not be available for any new contributions by such Shareholders, including top-ups. Instead, Class Z Shares will be available for such new investment and/or new Shareholders.

Fund	Classes
Franklin Absolute Return Bond Fund	W Accumulation
Franklin Mutual Shares Fund (no longer available for investment)	A Net Accumulation and A Net Income W Net Accumulation Y Net Income Z Net Accumulation
Franklin Sterling Corporate Bond Fund	W Accumulation and W Income
Franklin UK Equity Income Fund	A Net Accumulation and A Net Income W Net Accumulation and W Net Income Y Net Income Z Net Accumulation and Z Net Income
Franklin UK Gilt Fund	W Accumulation and W Income
Franklin UK Managers' Focus Fund	A Net Accumulation S Net Accumulation W Net Accumulation and W Net Income Y Net Income Z Net Accumulation
Franklin UK Mid Cap Fund	A Net Income S Net Accumulation and S Net Income W Net Accumulation and W Net Income Y Net Income Z Net Accumulation
Franklin UK Opportunities Fund	A Net Income W Net Accumulation and W Net Income Z Net Accumulation
Franklin UK Rising Dividends Fund	A Net Income W Net Accumulation and W Net Income Z Net Accumulation and Z Net Income
Franklin UK Smaller Companies Fund	A Net Income W Net Accumulation and W Net Income Z Net Accumulation
Franklin US Opportunities Fund	A Net Accumulation W Net Accumulation Y Net Income Z Net Accumulation
Templeton Global Emerging Markets Fund	A Net Accumulation W Net Accumulation Y Net Income Z Net Accumulation
Templeton Global Total Return Bond Fund	A Accumulation, A Income A H3 Accumulation and A H3 Income W Accumulation, W Income W H3 Accumulation and W H3 Income Y Income Z Accumulation and Z H3 Income

Fund	Classes
Templeton Growth Fund	A Net Accumulation and A Net Income W Net Accumulation Z Net Accumulation

Shareholder Meetings and Voting Rights

Requisitions of Meetings

The ACD or the Depositary may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objectives of the meeting, be dated, be signed by the Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

The Depositary also has the power to convene a meeting using a procedure similar to that used by Shareholders requisitioning a meeting as set out above.

The Company has elected to dispense with Annual General Meetings.

Notice and Quorum

Shareholders will receive at least 14 days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If, at an adjourned meeting, a quorum is not present after a reasonable time from the time for the meeting, one person entitled to be counted in a quorum present at the meeting shall constitute a quorum. Notices of Meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

Voting Rights

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of the meeting was sent out.

An instrument appointing a proxy may be in any usual or common form or any form approved by the ACD and Depositary. The person appointed to act as a proxy need not be a Shareholder.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions. An associate in relation to any person is defined as an undertaking in the same group as that person, an appointed representative of the first person or of any undertaking in the same group and any other person whose business or domestic relationship with the first person or its associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealing with third parties.

"Shareholders" in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting. Where a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Shareholder on the ground (however formulated) of mental disorder, the ACD may in its absolute discretion upon or subject to production of such evidence of the appointment as the ACD may require, permit such receiver or other person on behalf of such Shareholder to vote on a poll in person or by proxy at any meeting of Shareholders or Class meeting or to exercise any right other than the

right to vote on a show of hands conferred by ownership of Shares in relation to such a meeting.

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote may be disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the ACD may approve or in its absolute discretion accept (including as to how it may be signed or sealed). The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the ACD) be lodged with the instrument appointing the proxy pursuant to the next following paragraph, failing which the instrument may be treated as invalid.

An instrument appointing a proxy must be left at or delivered to such place or one of such places (if any) as may be specified for the purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, to or at the ACD's head office) by the time which is 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used and, in default, may be treated as invalid.

The instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates. A vote cast by proxy shall not be invalidated by the previous death or bankruptcy of the principal or by other transmission by operation of law of title to the Shares concerned or by the revocation of the appointment of the proxy or of the authority under which the appointment of the proxy was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the ACD at its head office by the time which is two hours before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.
Any corporation which is a holder of Shares in a Fund may by resolution of the directors or other governing body of such corporation and in respect of any Share or Shares in the Fund of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were the individual Shareholder in the Fund and such corporation shall for the purposes of the Instrument of Incorporation be deemed to be present in person at any such meeting if an individual so authorised is present.

Where a resolution is required to conduct business at a meeting of Shareholders and every Shareholder is prohibited under COLL 4.4.8R(4) from voting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary to the process, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more of the Shares of the Fund in issue.

Powers of a Shareholders' Meeting

The Company's Instrument of Incorporation and the FCA Rules empower Shareholders in a general meeting to approve or require various matters (in some cases subject to FCA approval).

These matters include:

(a) removal of the ACD;

(b) changes to some of the matters contained in the Instrument of Incorporation and this prospectus;

(c) fundamental changes to the Company or a Fund; and

(d) a scheme of arrangement involving the Company.

In accordance with the FCA Rules other provisions may be changed by the ACD without approval of Shareholders in a general meeting.

Except where the FCA Rules or the Instrument of Incorporation require an extraordinary resolution (which needs a majority of 75% of the votes validly cast for and against such resolution to be passed) any resolution will be passed by a simple majority of the votes validly cast for and against the resolution.

Class and Fund Meetings

The above provisions, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of Shareholders but by reference to Shares of the Class or Fund concerned and the Shareholders and prices of such Shares.

Variation of Class and Fund Rights

The rights attached to the Shares of a Class or Fund may not be varied without the sanction of a resolution passed at a meeting of Shareholders of that Class or Fund by a 75% majority of those votes validly cast for and against such resolution.

Valuation

The property of each Fund shall be valued at 12.00 noon UK time on each normal Dealing Day (the "Valuation Point") for the purpose of determining prices at which Shares may be purchased from or redeemed by the Company. The ACD may also carry out an additional valuation when it considers it desirable to do so. Shares will be "single priced" with the same price for buying or selling on any particular day, such price being determined from time to time by reference to the Valuation Point on a Dealing Day for each Fund.

The Net Asset Value per Share of each Class of Shares of each Fund will be determined at 12.00 noon UK time each Dealing Day, by dividing the value of the Fund's assets plus any cash (including accrued interest and dividends receivable) less all liabilities (including accrued expenses) by the number of outstanding Shares of the Class, and (except for smaller denomination Shares) shall be accurate to at least four significant figures. For this purpose,

(a) a security admitted to official listing in a member state of the European Union or any other state within the European Economic Area or traded on or under the rules of an eligible securities market or of any other stock exchange considered by the ACD, after consultation with the Depositary, to be reputable will be valued:

  (i) If an appropriate single price for buying and selling the security is quoted or obtainable, at that price.

  (ii) If appropriate separate bid and offer prices are quoted or obtainable, at the average of these two prices, taking account of dealing sizes and other relevant factors if necessary.

  (iii) If the above market prices are deemed not readily available or unreliable, at a price adopted in accordance with the provisions for Fair Value Pricing detailed on page 51.

(b) (where two prices are quoted according to whether it is bought or sold) at its last mid-market price or in markets where only one price is quoted at that last price on the principal exchange on which the security is traded (for example, in the UK the mid-market price and in Germany the KASSA price is used as the last such price). If no sale is reported at that time, the current mid-market price will be used where two prices are quoted or, where only one such price is quoted, that current price will be used.

(c) the value of a security will be determined in its quoted currency as at the close of trading on the exchange on which it is traded, or at 12.00 noon UK time for those securities which trade on exchanges that are open at that time, and that value will then be converted into its UK sterling equivalent at the exchange rate on the day the value of the security is determined.

(d) occasionally, events which affect the values of such securities and such exchange rates may occur between the times at which they are determined and 12.00 noon UK time, and will therefore not be reflected in the computation of the Fund's net asset value. If in the ACD's opinion events materially affecting the value of such securities occur during such period, then these securities may be valued at their fair value as determined in good faith by the ACD.

(e) all other securities for which over-the-counter market quotations are readily available will be valued, where two prices are quoted according to whether it is being bought or sold, at the current mid-market price or, in markets where only one current price is quoted, at that current price.

(f) securities for which market quotations are not readily available, and other assets, will be valued at their fair value as determined in good faith by the ACD.

  (i) There shall be excluded from the value of investments or other property any fiscal charges, commissions or other charges that were paid or would be payable on the acquisition or disposal of the

investments or other property.

(ii) Subject to paragraph (iii) below, any assets, costs, charges and expenses payable out of the property which are not attributable to any particular Fund will be allocated between the Funds on a basis proportionate to that which the value of each Fund bears to the value of all the Funds provided that the ACD is satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.

(iii) The A, S, W and Z Shares will bear the ACD's remuneration at the rates applicable to each Class. Due to the differences in these specific management charges attributable to each of these Classes, the income allocated to each Class of the Fund will vary.

Fair Value Pricing

Where the ACD has reasonable grounds to believe that:

(a) no reliable price exists for a security or unit/Share in a collective investment scheme at a Valuation Point; or

(b) the most recent price available does not reflect the ACD's best estimate of the value of the security or unit/share in a collective investment scheme at the Valuation Point

it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

The circumstances which may give rise to a fair value price being used include:

(a) no recent trade in the security concerned; or

(b) suspension of dealings in an underlying collective investment scheme; or

(c) the occurrence of a significant event since the most recent closure of the market

where the price of the security is taken.

In determining whether to use such a fair value price, the ACD will include in his consideration but need not be limited to:

(a) the type of fund;

(b) the securities involved;

(c) whether the underlying collective investment schemes may already have applied fair value pricing;

(d) the basis and reliability of the alternative price used; and

(e) the ACD's policy on the valuation of Fund Property as disclosed in this prospectus.

Dilution Adjustment

The basis on which each Fund's investments are valued for the purpose of calculating the price of Shares as stipulated in the FCA Rules and the Company's Instrument of Incorporation is summarised under the section "Valuation" on page 50. The Company is single priced.

However, the actual cost of purchasing or selling investments for a Fund may deviate from the mid-market value used in calculating the price of Shares in the Fund due to dealing costs such as brokerage charges, taxes, and any spread between the buying and selling prices of the underlying investments. These dealing costs can have an adverse effect on the value of each Fund, known as "dilution".

It is not, however, possible to predict accurately whether dilution will occur at any point in time. In order to protect Shareholders from this impact, the FCA Rules allow the cost of dilution to be met directly from a Fund's assets or to be recovered from investors on the purchase or redemption of Shares by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD. The ACD shall comply with COLL 6.3.8R in the FCA Rules in its application of any such dilution adjustment. The ACD's policy is designed to minimise the impact of dilution on any Fund.

The dilution adjustment for each Fund will be calculated by reference to the historical estimated costs of dealing

in the underlying investments of that Fund, including any dealing spreads, commissions and transfer taxes. The ACD may apply a dilution adjustment on the issue and redemption of such Shares if, in its opinion, the existing Shareholders (for subscriptions) or remaining Shareholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Shareholders and potential Shareholders.

Where a dilution adjustment is not applied to a Fund there may be dilution of the assets of that Fund, which may constrain or reduce the future growth of that Fund.

The ACD may, at its discretion, make a dilution adjustment on the sale and/or redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be materially affected. In particular, the ACD may make a dilution adjustment under the following circumstances:

- on a Fund where there is a net inflow or net outflow on any Dealing Day; or
- in any other case where the ACD believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing Shareholders.

In specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as each Fund is priced (i.e. offer plus notional dealing charges, mid, or bid less notional dealing charges). When a dilution adjustment is not applied there may be a dilution of the assets of a Fund which may constrain the future growth of that Fund.

The ACD may alter its current dilution adjustment policy in accordance with the FCA Rules.

Any price adjustment will be in response to significant cash flows rather than normal volumes and therefore it is not possible to accurately predict whether a price adjustment will occur at any future point in time. Consequently, it is also not possible to accurately predict how frequently such price adjustments will need to be made.

The ACD estimates that the estimated rate of dilution will typically fall in the range from 0.01% to 1% when buying or selling Shares.

The ACD reserves the right to adjust the price by a lesser amount but will always make such an adjustment in a fair manner solely to reduce dilution and not for the purpose of creating a profit or avoiding a loss for the account of the ACD or an associate. It should be noted that as dilution is related to inflows and outflows of monies and the purchase and sale of investments it is not possible to predict accurately if and when dilution will occur and to what extent.

Fees and Charges

Current Rates of Preliminary Charge

The current rates of the ACD's Preliminary Charge (calculated as a percentage of the amount invested) are:

A Shares: 5% for Equity Funds (with the exception of Franklin UK Equity Income Fund, Franklin UK Mid Cap Fund, Franklin UK Rising Dividends Fund and Franklin UK Smaller Companies Fund where the initial charge is 4.5%.) and 3% for Fixed Income Funds (although the ACD may charge a lower amount, as it may from time to time determine, in relation to any specific class or transaction) and

S, W, Y and Z Shares: The ACD may charge the following Preliminary Charges: 5% for Equity Funds and Multi Assets Funds (with the exception of Franklin UK Equity Income Fund, Franklin UK Mid Cap Fund, Franklin UK Rising Dividends Fund and Franklin UK Smaller Companies Fund where the initial charge is 4.5%) and 3% for Fixed Income Funds (although the ACD may charge a lower amount, as it may from time to time determine, in relation to any specific class or transaction). At present, no preliminary charge is levied on such shares classes, and if the ACD does introduce such charge, it shall give appropriate notice to Shareholders.

Redemption Charge

The ACD may make (and retain) a charge on the redemption of Shares to be borne by Shareholders. At present, no redemption charge is levied.

The ACD's Annual Management Charge

The ACD is entitled to receive out of the scheme property of each Fund for its own account, monthly on the last Business Day of each month or as soon as possible thereafter, the amount of the annual management charge accrued to it during that month. Under current VAT legislation, no VAT is payable on the ACD's remuneration. This annual management charge is calculated daily based on the assets of each Fund at the pricing Valuation Point of

12.00 noon UK time.

The table below summarises the current rates of the ACD's annual management charge for each of the Funds:

Fund	A Shares (per annum)	S Shares (per annum)	W Shares (per annum)	Y Shares (per annum)	Z Shares (per annum)	Charge Taken from Income or Capital
Franklin Absolute Return Bond Fund	N/A	N/A	0.35%	N/A	N/A	Income
Franklin Mutual Shares Fund (no longer available for investment)	1.50%	N/A	0.75%	0.00%	0.95%	Income
Franklin Sterling Corporate Bond Fund	N/A	N/A	0.35%	N/A	N/A	Capital
Franklin UK Equity Income Fund	0.90%	N/A	0.45%	0.00%	0.60%	Capital
Franklin UK Gilt Fund	N/A	N/A	0.25%	N/A	N/A	Capital
Franklin UK Managers' Focus Fund	1.50%	0.55%	0.75%	0.00%	0.95%	Income
Franklin UK Mid Cap Fund	1.50%	0.55%	0.75%	0.00%	0.95%	Income
Franklin UK Opportunities Fund	0.90%	N/A	0.45%	N/A	0.60%	Income
Franklin UK Rising Dividends Fund	0.90%	N/A	0.45%	N/A	0.60%	Capital
Franklin UK Smaller Companies Fund	1.50%	N/A	0.75%	N/A	0.95%	Income
Franklin US Opportunities Fund	1.50%	N/A	0.75%	0.00%	0.95%	Income
Templeton Global Emerging Markets Fund	1.50%	N/A	0.90%	0.00%	1.10%	Income
Templeton Global Total Return Bond Fund	1.20%	N/A	0.65%	0.00%	0.85%	Income
Templeton Growth Fund	1.50%	N/A	0.75%	N/A	0.95%	Income

Class Y Shares do not have an annual management charge nor an administration charge but, where applicable, Shareholders will be invoiced directly by the ACD as stated in the agreement between the Shareholder and the ACD.

The fees of the relevant Investment Advisers are paid out of the ACD's annual management charge.

The ACD is also entitled to be reimbursed by the Company for all reasonable out-of-pocket expenses incurred in the performance of its duties to the Company. VAT is payable on these charges or expenses, where appropriate.

Such periodic remuneration is taken in each case at the rate of one-twelfth thereof each month. These rates are calculated by reference to the Net Asset Value of a Fund referable to the A Shares, S Shares, W Shares and Z Shares respectively.

The value of the Scheme Property of each Fund, for the purpose of determining the ACD's annual management charge, is determined by reference to the value of the Scheme Property calculated in accordance with the provisions at Valuation on page 50 by way of remuneration for its services.

The ACD is entitled to receive a monthly administration charge out of the property of each Fund to be calculated, accrued and payable in the same manner and at the same time as the ACD's annual management charge. The current administration charge in respect of all Class A, Class S, Class W and Class Z Shares is 0.05% per annum (plus any VAT or any equivalent tax thereon), and the maximum permitted administration charge in the case of all Funds is 0.10% (plus any VAT or any equivalent tax thereon).

Where the investment objective of a Fund is to treat the generation of income as having equal or higher priority to capital growth, all or part of the ACD's annual management charge may be charged against capital instead of against income. This may constrain capital growth. At present the ACD's annual management charge in respect of Franklin Sterling Corporate Bond Fund, Franklin UK Equity Income Fund, Franklin UK Gilt Fund and Franklin UK Rising Dividends Fund is charged to capital.

In addition, the expenses of Franklin Sterling Corporate Bond Fund and Franklin UK Gilt Fund are also charged to capital.

Payments of fees or commissions to various sub-distributors, dealers or other intermediaries may be made out of the ACD's annual management charge when such payments are expected to enhance the quality of the distribution or other services provided to the Shareholders, including but not limited to the improvement of the communication and ongoing information to Shareholders, the transaction processing or other Shareholder and/or administrative services.

Increase in the Preliminary Charge or ACD's Annual Management Charges

Any increase of the preliminary charge or ACD's annual management charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change, as set out in the provisions of the FCA Rules only after:

(a) giving 60 days' written notice to all Shareholders (in the case of an increase of the annual management charge) or to regular savers (in the case of the preliminary charge), and

(b) the ACD revises the prospectus to reflect the proposed increase.

If such a change is deemed fundamental, it will require the approval of the Shareholders.

Depositary's Remuneration and Expenses

The Depositary receives for its own account a periodic fee which will be accrued daily and payable monthly in respect of each calendar month and is payable as soon as practicable after the month end. The fee is calculated by reference to the value of each Fund on the last valuation day of the preceding month and is payable out of the property attributable to the Fund. The rate of the periodic fee is agreed between the ACD and the Depositary from time to time and the current agreed periodic fee is 0.019% for the first £100 million of the value of each of the Funds per annum and 0.010% thereafter for each Fund. The first accrual in relation to any new Fund will take place in respect of the period from the day on which the first valuation of that Fund is made to that month end and will be calculated based upon the first Valuation Point. Any increase will only be permitted in accordance with the FCA Rules.

Separately, the Depositary receives a custody fee which accrues on the same basis as its periodic fee. Custody charges vary from country to country (usually between 0.0004% and 0.47% per annum) depending on the markets. Any increase in the custody fees, transaction charges or minimum fees will only be permitted in accordance with the FCA Rules.

In addition to the fees and charges payable to the Depositary referred to above, the Depositary is entitled to be reimbursed out of the property attributable to any Fund for expenses incurred in the proper performance of its duties (or the exercise of powers conferred upon it by the OEIC Regulations or the FCA Rules) referable to (but not limited to): (i) the maintenance of distribution accounts; (ii) the conversion of foreign currency; (iii) registration of assets in the name of the Depositary or its nominees or agents; (iv) borrowings, stock lending or other permitted transactions; (v) communications with any parties (including facsimile and SWIFT); (vi) taxation matters; (vii) insurance matters; and (viii) dealings in derivatives.

The Depositary will also be reimbursed by the Fund out of the property attributable to the Fund, expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the Regulations or by the general law.

The amount or rate of any of the Depositary's fees and charges referred to above shall (unless otherwise stated) be determined by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary.

The Depositary shall be entitled to recover its fees, charges and expenses when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the Fund or the ACD.

On a winding up of a Fund, the termination of a Fund or the redemption of a Class of shares, the Depositary will be entitled to its pro rata fees, charges and expenses to the date of the commencement of the winding up, the termination or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

Any VAT on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses and will be payable by the Fund.

In each such case such expenses and disbursements may also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the FCA Rules by the Depositary.

Other Payments

Apart from the above, the following other payments may lawfully be made out of the property of each Fund:

(a) broker's commission, local taxes and other disbursements which are necessary to be incurred in effecting transactions for the Fund concerned and which are normally shown in contract notes, confirmation notes and different accounts, as appropriate;

(b) interest on borrowings permitted under the Fund concerned and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;

(c) taxation and duties payable in respect of the property of the Fund concerned or the issue of Shares in the Fund concerned;

(d) any costs incurred in modifying the Instrument of Incorporation of the Company, including costs incurred in respect of meetings of Shareholders convened for purposes which include the purpose of modifying the Instrument of Incorporation, where the modification is necessary to implement any change in the law or necessary as a direct consequence of any change in the law (including changes in the OEIC Regulations or the FCA Rules) or expedient having regard to any change in the law made by or under any fiscal enactment and which the ACD considers to be is in the interest of Shareholders or to remove from the Instrument of Incorporation obsolete provisions;

(e) any costs incurred in respect of meetings of the Company or Class meetings of the Shareholders of the Fund concerned convened on a requisition by Shareholders, not including the ACD or an associate of the ACD;

(f) liabilities arising on unitisation, amalgamation or reconstruction;

(g) the audit fee properly payable to the Auditors as agreed between the ACD and the Auditors and any proper expenses of the Auditors;

(h) the periodic fees of the FCA in respect of the Company as may be prescribed under the OEIC Regulations, or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares in the Fund concerned are or may be marketed;

(i) expenses incurred in acquiring and disposing of investments and reasonable stock lending expenses;

(j) the cost of preparing, printing and distributing any KIID, any supplementary information document or any prospectus (apart from the costs of distributing the KIID) in respect of the Company or any Fund;

(k) the costs of printing and distributing annual, half-yearly and quarterly reports (if any) and any other reports or information provided for Shareholders;

(l) the costs of listing the prices of Shares in the Funds in publication and information services selected by the ACD, including the Financial Times;

(m) any other charges or expenses that may be taken out of the Company's property in accordance with the FCA Rules;

(n) VAT or any equivalent tax chargeable in respect of any of the above charges and expenses; and

(o) litigation and consulting expenses incurred in connection with the Fund's holdings, which will only be incurred in consultation with the Depositary.

In addition, all other types of charges and expenses relating to the property subject to the collective investment scheme constituted by the Company may be taken out of such property. The ACD may however itself choose to pay any recurring operating expenses of a Fund for any accounting period as exceeds any such percentage as the ACD may decide upon from time to time of the recurring operating expenses allocated to that Fund for that period.

Any third party research received in connection with investment advisory services that an Investment Manager or the ACD provides to the Funds will be paid for by the Investment Manager or the ACD out of its fees, as relevant in relation to each Fund, and will not be charged to the Funds.

Where the ACD and the Depositary so agree (and as disclosed in this prospectus), any expenses of a Fund may, subject to FCA Rules, be charged against capital instead of income. This may constrain capital growth.

Income

Income Equalisation

The Company's policy on income equalisation is that grouping for income equalisation is permitted. Income equalisation in respect of a Share created or issued or sold by the Company during the Grouping Period for which an income allocation is to be made will be a capital sum representing the ACD's best estimate of the amount of income included in the issue price of a Share (or in the issue price by reference to which the selling price of that Share was determined). The amount of income equalisation per Share of each Class in each Fund is arrived at by taking the aggregate of the amounts of income included in the issue price in respect of Shares of each Class issued by the Company (or re-issued by the ACD) in the Grouping Period in question and dividing that aggregate by the number of those Shares of each Class and applying the resultant average to each of the Shares of each Class in question.

Income equalisation is refunded to Shareholders of the Fund concerned in the first allocation after an acquisition of Shares from the Company and in respect of the Shares so acquired (known for the distribution period as Group 2 Shares, all other Shares being known as Group 1 Shares) as a return of capital and it is not liable to income tax. It should be deducted from the cost of Shares for capital gains purposes.

The Grouping Periods of the Funds are set out under the heading "Accounting Reference and Other Dates" in this Prospectus.

The Depositary is not required to distribute income allocated to any Shares in any case where the ACD or the Depositary considers it necessary or appropriate to carry out or complete identification procedures in relation to the Shareholder or another person pursuant to a statutory, regulatory or European Union obligation.

Distribution of Income

The net income of A Accumulation Shares, S Accumulation Shares, W Accumulation Shares and Z Accumulation Shares allocated after the date of issue thereof will be accumulated within their Share prices as the income accrues in proportion to the property of each Fund which such Class of Shares represents and no additional Shares will be issued.

In relation to the Accumulation Shares in Templeton Global Total Return Bond Fund, income is accumulated in the share price net of the basic rate of UK income tax. Investors entitled to the accumulated income without the deduction of UK income tax will receive additional Shares equal to the value of the UK income tax. This allocation takes place on or around the payment date rather than the record date. Cash distributions of income (if any) will be made to Shareholders of A Income, W Income, Y Income and Z Income Shares on the distribution dates, details of which are set out under the heading "Accounting Reference and Other Dates" in this prospectus.

Allocations of income (if any) are made to Shareholders of A Accumulation Shares; S Accumulation Shares, W Accumulation Shares and Z Accumulation Shares on the Record Dates (as detailed 'under the heading "Accounting Reference and Other Dates" in this prospectus).

The amount available for allocation in an accounting period is calculated by:

(a) taking the aggregate of the income received or receivable for the accounting period,

(b) deducting the charges and expenses paid or payable out of income where appropriate for that accounting period, and

(c) making such adjustments as the ACD considers appropriate (and after consulting the auditors as appropriate) in relation to tax and certain other issues.

In order to conduct a controlled dividend flow to Shareholders, interim distributions will be made at the ACD's discretion, up to the maximum of the distributable income available for the period. All remaining income is distributed in accordance with the FCA Rules.

If a distribution remains unclaimed for a period of six years after it has become due, it may be forfeited and will revert to the Fund.

Anti-Money Laundering and Fraud Prevention

Under United Kingdom law the ACD is required to take steps to verify the identity of its clients to prevent money laundering and to reduce the possibility of fraud. The ACD may conduct searches of databases and other publicly available data in order to do this. The ACD may need to ask you to provide proof of your identity before we can accept your instructions and in these circumstances will only be able to return the proceeds of your investment,

make income payments or transfer Shares to another person or body provided the ACD has received proof of your identity acceptable to us.

If you are investing by direct debit you should be aware that, unless the ACD receives acceptable identification verification, either from the ACD's searches or your provision of proof of identity, the ACD will only be able to return the proceeds of your investment or income payments due by telegraphic transfer to the account from which the debits were drawn.

The ACD shall not be liable for any Share price movements occurring during delays as a result of anti-money laundering requirements being satisfied.

In order to validate name, address and other personal data, the ACD may make searches with registered credit reference agencies. Such agencies may keep a record of the details of that search.

The Issue and Redemption of Shares in the Funds

Dealings

Requests for the issue, redemption, and Switch of Shares will normally be dealt with by the issue or cancellation of Shares by the Company. In certain circumstances, the ACD may however, in accordance with the FCA Rules, deal with such requests by selling Shares to, and/or repurchasing them from, the applicant as appropriate. The ACD is entitled to hold Shares for its own account and to satisfy requests for the sale of Shares from any holding of its own. It is required by the FCA Rules to procure the issue or cancellation of Shares by the Company where necessary to meet any obligations to sell or redeem Shares.

In addition, the ACD may from time to time make arrangements to allow Shares to be bought or sold on-line or through other communication media. At present, transfer of title by electronic communication is not accepted.

Shares in the Funds are not listed on or dealt in any stock exchange. No Bearer Shares are issued. Investors may submit requests for the issue and redemption of Shares in each Fund between 8:30am to 5:30pm UK time on normal Business Days. The Freefone number for the Client Dealer Services team is 0800 305 306 (UK only) or if calling from outside the UK, the number is +44(0)20 7073 8690.

Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for record keeping, security and/or training purposes. Please see paragraph "Telephone Recording" below for further information.

Investors wishing to purchase Shares should complete an application form, and send it to the address stated therein, or to their professional financial adviser.

Subsequent purchases of Shares may require a written and duly signed confirmation, the completion and signature of a specific form or may be made by telephone, facsimile or electronic means as may be approved from time to time, subject to the discretion of the ACD. In the event that written confirmation is required by the ACD, there may be a delay in the processing of the investment until receipt of the requested written confirmation.

Shares in each Fund will be issued at the Net Asset Value calculated by reference to the next Valuation Point (as defined in the section "Valuation" on page 50) following receipt of the application. Where an application for Shares is received before the Valuation Point on a Dealing Day, the Shares concerned will be issued at a price based on that day's valuation and Shares to satisfy an application received after that time, or on a day which is not a Dealing Day, will be issued at a price based on the valuation made on the next Dealing Day. This is known as forward pricing.

Subscriptions must be paid in the relevant class currency and the ACD may decide from time to time, with respect to specific applications for subscription, that subscription monies in cleared funds must be received on the Dealing Day, or that such subscription monies must be transmitted by electronic transfer only.

Shares may be redeemed at the Net Asset Value of the relevant Class calculated on the appropriate Dealing Day by giving notice to the address stated herein or an authorised intermediary in writing or by telephone, facsimile or electronic means, confirmed in writing subject to the discretion of the ACD, and specifying the Class, the Fund, the number of Shares to be redeemed, Fund currency amount or percentage holding of Shares to be redeemed and the account details.

Shares in each Fund will be redeemed at a price calculated by reference to the next Valuation Point following

receipt of the instructions to redeem. Where instructions to redeem are received prior to the Valuation Point on a Dealing Day, the Shares concerned will be redeemed at a price based on that day's valuation and Shares to be redeemed pursuant to a redemption request received after that time, or on a day which is not a Dealing Day, will be redeemed at a price based on the valuation made on the next Dealing Day.

A contract note will be despatched giving details of a transaction effected in any of the Funds, except in relation to the regular savings plan (for details thereof, please see under the heading "The Regular Savings Plan" in this prospectus). If payment is not made immediately for the issue of Shares in each Fund, it must be made within three days of the trade date. A Share Certificate will not be issued, but a Statement of Shareholding will be made available to each Shareholder at least once a year in such form as the ACD may decide.

The ACD will transmit the proceeds by electronic transfer only in respect of the settlement of redemption of Shares. In such circumstances, the ACD will make the payment to the bank account details last notified to the ACD. The redemption proceeds will be sent at the risk of the Shareholder and the ACD will not be responsible if the electronic transfer is delayed, unless this is as a result of the ACD's negligence. The ACD reserves the right to fully investigate what has happened and will have no obligation to remit a second payment to the Shareholder until satisfied with the results of the investigation.

Settlement of the redemption of Shares in each Fund will be made not later than close of business on the third Business Day after the later of the relevant Valuation Point of the Fund concerned following the receipt by the ACD of the request to redeem Shares or the time when the ACD has all duly executed instruments and authorisations as effect (or enable the ACD to effect) transfer of title to the Shares.

The ACD may make use of the 'delivery versus payment (DvP) exemption' as set out in the FCA Rules, which provides for a one-day window during which money held for the purposes of settling a transaction in Shares is not treated as 'client money'. Specifically, under the DvP exemption, money received by the ACD from an investor, or money due to be paid to an investor by the ACD, need not be treated as client money if:

(a) the ACD receives the money from an investor for the subscription of Shares and the Shares are created within the timeframes set out in the FCA Rules; or

(b) the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to an investor within the timeframes set out in the FCA Rules.

A Shareholder may be requested to produce evidence of title to his Shares in each Fund by submitting the contract note to the ACD, plus proof of the actual payment and method thereof and by fulfilling any other requirements of the ACD for this purpose.

The ACD is not required to issue payment in respect of a redemption of Shares which it has not yet received the money due on the earlier issue of those Shares or where it considers it necessary or appropriate to carry out or complete identification procedures in relation to the Shareholder or another person pursuant to a statutory, regulatory or European Union obligation.

Late Settlement

In the event of late settlement of trades, the ACD reserves the right to charge interest at base rate + 2%, or such other rate as the ACD may incur in interest charges and/or at its sole discretion cancel the purchase of Shares and recover any shortfall.

Disclosures for Automatic Exchange of Information

In order to comply with the legislation implementing the UK's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the United States provisions commonly known as FATCA, European Union directives and agreements with jurisdictions outside of the EU), the Company (or its agent) will collect and report information about Shareholders for this purpose, including information to verify their identity and tax status.

When requested to do so by the ACD or its agent, Shareholders must provide information to be passed on to HMRC, and to any relevant overseas tax authorities.

Publication of Share prices

The Company will, on each Dealing Day publish the most recent price of Class A, Class S, Class W and Class

Z Shares on the website www.franklintempleton.co.uk. In addition, the ACD may also choose to publish certain classes of Shares in printed publications or other websites from time to time. The prices of Class Y Shares will be available from the ACD on 0800 305 306 (or +44 (0)20 7073 8690 from outside the UK).

Issue of Shares in Exchange for In Specie Assets and In Specie Redemptions

The ACD may arrange for the Fund to issue Shares in exchange for assets other than money, but will only do so where the ACD and Depositary are satisfied that the Fund's acquisition of those assets in exchange for the Shares would not be likely to result in any material prejudice to the interests of Shareholders of the Fund concerned.

The ACD will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets that the holding of which would be inconsistent with the investment objective of that Fund.

If a Shareholder requests the redemption or cancellation of Shares, in lieu of payment of the price for the Shares in cash, the ACD may arrange for the Fund to cancel the Shares and transfer property of the relevant Fund or, if required by the Shareholder, the net proceeds of sale of the relevant property to him. This only applies however if the Shares represent at least 5% (or such lower percentage as the ACD may decide upon) of the Fund's value. Where these circumstances apply, the ACD will notify the Depositary that redemption of the Shares is to be effected by transfer of property (or sale of property) and the ACD will on receipt of such evidence of title as the ACD may require to cancel the Shares and the Depositary shall transfer the relevant property to the Shareholder (or sell the property and arrange that the net proceeds of the sale of the property are paid to the Shareholder). The property to be transferred will be selected by the ACD in consultation with the Depositary. The ACD and the Depositary must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the redemption than to the continuing Shareholders. Whether the property is transferred or sold there shall be deducted from it a cash amount which would have normally been borne by the Fund on a sale of the property.

Suspension of Dealings

The ACD may with the prior agreement of the Depositary, or shall if the Depositary so requires, at any time temporarily suspend the issue and redemption of Shares in any of the Funds if it or the Depositary, in the case of any requirement by the Depositary, is of the opinion that there is a good and sufficient reason to do so having regard to the interests of Shareholders in the Fund concerned. The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as it is justified having regard to the interests of the Shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA.

The ACD will notify Shareholders of the Fund concerned of the suspension as soon as practicable after the suspension commences including details of the circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website, or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

If the issue and redemption of Shares in a Fund is suspended, the obligations relating to the issue or redemption of Shares or to the valuation and pricing of Shares as contained in Section 6 of the FCA Rules will cease to apply in respect of the Fund concerned (but the ACD will comply with as much of Chapter 6.3 (Valuation and Pricing) as is practicable in light of the suspension).

Suspension will cease as soon as practicable after the circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders. The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

Restrictions and Compulsory Transfer and Redemption

The ACD may carry out a compulsory Conversion of all or some of the Shares of one Class into another Class where it reasonably believes it is in the best interests of Shareholders. The ACD will give Shareholders 60 days' notice before any compulsory Conversion is carried out.

The ACD may also from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer, Conversion or Switch of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares"):

(a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or

(b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or

(c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case; or

(d) are owned by a Shareholder who is registered in a jurisdiction (where the Fund is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach):

or if the ACD is not satisfied that any Shares may not give rise to a situation discussed in (a), (b), (c) or (d) above, the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

This may include a situation where a Shareholder has moved to a different jurisdiction which either does or may give rise to a situation described in (a), (b), (c) or (d) above.

It is not possible for the ACD to be fully informed of current law and regulations in every jurisdiction and accordingly in the interests of Shareholders and to be able to ensure no Shares are held or acquired by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in any Fund incurring any liability to taxation which a Fund is not able to recoup itself or suffering any other adverse consequence. The ACD's policy will be to treat Shares of Shareholders moving to jurisdictions other than EEA States as affected Shares and may refuse to issue Shares to anyone resident outside of one of the jurisdictions.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the FCA Rules.

The Regular Savings Plan

Class Z Shares in each of the Funds may be purchased under the regular savings plan that the ACD will operate as the plan administrator. The purchase price of Shares is paid under the plan by direct debit from the investor's bank account, which must be a minimum of £600 each year for Z Shares irrespective of the frequency selected. Subject to a minimum of £250, additional lump sum purchases of Shares may also be made under the plan.

Share allocations under the plan, calculated to three decimal places, will be made on the 25th of the month, or the nearest Business Day thereafter. Shares are allocated at the price calculated at the first Valuation Point on that day. Shares purchased under the plan are registered in the investor's name.

Certificates will not be issued for Shares purchased under the plan, but a Statement of Shareholding will be made

available to plan holders at least twice a year. Redemption requests in respect of Shares purchased under the plan may be for any value of £250 or more. A plan holder may however be required to realise all his Shares held in his Plan, if his plan holding would be reduced to less than £500 for Z Shares.

A plan holder may terminate his plan at any time by giving written notice to the ACD. Subject to the accumulated value of his Shares in his plan exceeding £500 for Z Shares he may retain his investment in the Fund concerned in his own name. If on such termination, the accumulated redemption value of Shares in a Shareholder's plan is less than £500 for Z Shares, the ACD reserves the right to buy back the Shares in that plan at the price calculated at the next Valuation Point following receipt of the termination notice.

Shareholders (unless, from 25 March 2019, they are direct retail investors) who have purchased Class A Shares under the plan may continue to do so under their existing plan.

The ACD may waive the requirements of the preceding four paragraphs in any particular case prescribed by it.

Settlement of the redemption of Shares by a Shareholder on a termination of Shares in a regular savings plan will be as described under the sub-heading "Dealings" above. Further details of the regular savings plan are available on request from the ACD.

Conversion and Switching of Shares

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Fund may:

(a) Convert all or some of his Shares of one Class in a Fund for another Class of Shares in the same Fund; or

(b) Switch all or some of his Shares in one Fund for Shares in another Fund.

(a) Conversions

Conversions will be effected by the ACD recording the change of Share Class on the Register of the Company. If a Shareholder wishes to Convert Shares he should apply to the ACD in the same manner as for a Switch as set out below. Conversions may not be effected at the next Valuation Point and may be held over and processed at a subsequent Valuation Point or ultimately to the Valuation Point immediately following the end of the relevant Fund's accounting period. For further information and to discuss the timing for the completion of Conversions please contact the ACD.

Conversions will not be treated as a disposal for capital gains tax purposes and no stamp duty reserve tax will be payable on the Conversion. This may not be the case for Conversions involving hedged Share Classes.

There is no fee on Conversions.

The number of Shares to be issued in the new Class will be calculated relative to the price of the Shares being converted from.

(b) Switches

A Shareholder may give notice to the address as stated herein in such form as the ACD may from time to time determine ("a Switching notice") of his desire to Switch all or some of his Shares of one Class issued in respect of any Fund (the "original Shares") for Shares of another Class issued in respect of a different Fund (the "new Shares").

Upon receipt on behalf of the ACD of a Switching notice, the ACD shall arrange for the Shares to be cancelled (or, at its discretion, the ACD shall itself redeem the original Shares) and issue (or, at its discretion, the ACD shall sell to the Shareholder) the appropriate number of new Shares. The ACD may impose such restrictions as to the Classes for which a Switch may be effected.

Switching of the original Shares specified in a Switching notice shall take place at the first Valuation Point after the day upon which the Switching notice is deemed to have been received by the ACD or at such other Valuation Point as the ACD, at the request of the Shareholder giving the relevant Switching notice, may agree.

The ACD will determine the number of new Shares to be issued or sold to the Shareholder on a Switch in accordance with the following formula:

$$N = O \times \frac{(CP \times ER)}{SP}$$

where:

N is the number of new Shares to be issued or sold (rounded down to the nearest whole number of smaller denomination Shares);

O is the number of original Shares specified (or deemed to be specified) in the Switching notice which the Shareholder has requested to Switch;

CP is the price at which a single original Share may be cancelled or redeemed as at the Valuation Point applicable to the cancellation or redemption as the case may be;

ER is where the original Shares and the new Shares are designated in the same currency and, in any other case, is the exchange rate determined by the ACD in its absolute discretion (subject to the FCA Rules) as representing the effective rate of exchange between the two relevant currencies as at the date the Switching notice is received (or deemed to have been received) by the ACD having adjusted such rate as may be necessary to reflect any costs incurred by the Fund in making any transfer of assets as may be required as a consequence of such a Switch being effected; and

SP is the price at which a single new Share may be issued or sold as at the Valuation Point applicable to the cancellation or redemption as the case may be.

The ACD is not obliged to give effect to a request for a Switch of Shares if the value of the Shares to be Switched is less than the minimum permitted transaction or if it would result in the Shareholder holding Shares of any Class of less than the minimum holding for that Class of Share.

A Shareholder who Switched Shares will not have any right to withdraw from or cancel the transaction. No charges will be made on Switching Shares, except for a charge by the ACD not exceeding any excess of the amount of preliminary charge applicable to a sale of the Shares being acquired (by reference to the current preliminary charge stated in the most recently published prospectus) over the preliminary charge paid on the original acquisition of the Shares redeemed. The ACD may adjust the number of new Shares to be issued or sold to reflect the imposition of such a Switching charge.

A Switch of Shares will be treated as a redemption and sale and will for persons subject to United Kingdom taxation be a disposal for the purposes of capital gains taxation.

Market Timing

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

Market timing consequences: If information regarding a Shareholder's activity in a Fund or in any other Franklin Templeton fund or non-Franklin Templeton fund is brought to the attention of the ACD and based on that information the ACD or its agents in their sole discretion conclude that such trading may be detrimental to the Fund as described in this Market Timing Trading policy, the ACD may temporarily or permanently bar a Shareholder's future purchases into a Fund or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which a Shareholder may request future purchases and redemptions (including purchases and/or redemptions by a Switch between the Funds and any other Franklin Templeton fund).

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

Market timing through financial intermediaries: Shareholders are subject to this policy whether they are a direct Shareholder of a Fund or are investing indirectly in a Fund through a financial intermediary such as a fund supermarket, bank, an insurance company, an investment adviser, or any other distributor that acts as nominee for Shareholders subscribing the Shares in their own name but on behalf of its customers (the Shares being held in an "omnibus account").

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

Risks from market timers: Depending on various factors, including the size of the Fund, the amount of assets the fund manager typically maintains in cash or cash equivalents and the sterling amount and number and frequency of trades, short term or excessive trading may interfere with the efficient management of the Fund, increase the Fund's transaction costs, administrative costs and taxes and/or impact Fund performance.

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

The ACD is currently using several methods to reduce the risk of market timing. These methods include:

(a) reviewing Shareholder activity for excessive trading, and

(b) committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to this Market Timing Trading policy.

For the purposes of monitoring and detecting potential market timing activity, the ACD's responsibilities will be restricted to the registered legal holder of Shares rather than any underlying beneficial holder. The ACD will co-operate in helping to deter any potential market timing activities that the registered legal holder has detected in his monitoring of his underlying beneficial holders.

Cancellation of Market Timing Trades: Transactions placed in violation of the ACD's Market Timing Trading policy are not necessarily deemed accepted by the ACD and may be cancelled by the ACD on the valuation days following receipt by the ACD.

Taxation

The following information is only a summary of the taxation of the Funds and Shareholders based on UK tax law as at the date of preparation of this document. Unless otherwise stated, it relates only to UK tax resident Shareholders who are the beneficial owners of the shares. Please note that the tax treatment of investors depends on their individual circumstances and may be subject to change in the future. Prospective investors should seek professional advice on the potential tax consequences of acquiring, holding and selling of shares.

The Company

Each Fund will generally be considered separately for UK tax purposes.

The Funds are generally exempt from UK corporation tax on capital gains realised on the disposal of investments except any gain accruing to the Funds in respect of the sale, transfer or redemption of a material interest in an offshore fund which is not a reporting fund. Such a gain will be taxed as income and not as a capital gain.

The Funds do not suffer UK corporation tax on dividends received from UK and overseas companies, subject to certain conditions being met. Most other types of income will be subject to UK corporation tax after relief for allowable expenses and interest distributions (see below). The rate of corporation tax applicable is currently 20%.

Income and gains arising from overseas investments may, in addition, be subject to tax in the relevant overseas jurisdictions at varying rates. Credit may be available against any UK corporation tax liability for foreign withholding tax suffered on income, subject to certain conditions being met.

In the case of Franklin Absolute Return Bond Fund, Franklin Sterling Corporate Bond Fund, Franklin UK Gilt Fund and Templeton Global Total Return Bond Fund, the income of the Fund is not subject to UK corporation tax to the extent such income is distributed (or treated as distributed) by the Fund as an interest distribution, either by way of cash distribution or through accumulation or re-investment in the Fund.

No deduction is made by way of withholding tax from distributions in the form of dividends or from payments on the redemption of Shares. All interest distributions will be paid without deduction of UK income tax (see Interest Distributions below).

Stamp Duty Reserve Tax ("SDRT")

SDRT may be chargeable at 0.5% on a surrender where a Shareholder receives a non pro rata in specie payment for the Shares. The SDRT charge arising will be borne by the Shareholder.

Taxation of UK Resident Shareholders

Dividend Distributions

The first £2,000 (for tax year 2019/20) of dividends (including dividend distributions) received (or deemed to be received) by a UK resident individual in a tax year will not be subject to income tax. Above this level, the income tax rates applying to dividends will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

For Shareholders who are liable to UK corporation tax, income allocations in the form of dividend distributions are split into franked and unfranked and, if applicable, unfranked foreign elements. The franked element will not be subject to corporation tax in the hands of the corporate Shareholder. The unfranked element will be treated as an annual payment deemed to be net of income tax at a rate of 20% and will be subject to corporation tax accordingly, with credit for the income tax treated as deducted. The unfranked foreign element is treated as foreign income received after deduction of foreign tax and will be subject to corporation tax accordingly, with credit for the foreign tax deducted.

In any case where the Fund fails the qualifying investments test (broadly holds more than 60% of its funds in interest bearing or economically similar assets) at any point during the accounting period of a corporate investor then the investor must account for its holding in the fund (including any distributions) on a fair value basis under the loan relationships tax rules.

Interest Distributions

Interest distributions will no longer be paid with UK income tax deducted at 20%. All individual Shareholders will therefore be liable to tax on their distribution received subject to the personal savings allowance detailed below.

There is a tax free Personal Savings Allowance of the first £1,000 of interest (including interest distributions) received in a tax year from all sources for individual basic rate taxpayers. For higher rate taxpayers the allowance will be £500, and for additional rate taxpayers there will be no allowance.

Shareholders holding Shares through an approved ISA or SIPP will receive interest distributions without deduction of UK tax. No tax liability arises in relation to such income.

All interest distributions will be paid without deduction of income tax so no evidence of exemption will be required.

Corporate Shareholders should account for their holdings (including any distributions received) on a fair value basis under the loan relationships tax rules.

Capital Gains

Individual Shareholders resident in the UK for tax purposes may, depending on their circumstances, be liable to UK capital gains tax in respect of gains arising from the sale or other disposal of Shares (including redemption or the Switch of Shares in one Fund for those in another Fund). Individual Shareholders will not be liable to UK capital gains tax unless the aggregate gains exceed the annual exemption (£12,000 for 2019/20 in which case

the excess will be charged at a rate of 10% for basic rate taxpayers and 20% for higher rate taxpayers.

Equalisation paid as part of a distribution is a return of capital and is not taxable as income in the hands of the Shareholders. This amount should be deducted from the allowable cost of the Shares for capital gains tax purposes.

UK tax resident corporate Shareholders may be subject to UK corporation tax on chargeable gains arising from sale or other disposal of Shares (including redemption or the Switch of Shares in one Fund for those in another Fund). For corporate Shareholders, indexation relief may be available in calculating any gains (but not losses) based on increases in the Retail Price Index during the period the Shares have been held.

Where the fund is a Bond Fund (fails the qualifying investments test), for corporation tax purposes, the holding should be treated as a loan relationship. Corporate Shareholders will generally be taxed on any increase (and may claim relief for any losses) on the fair value of their shareholding on an annual basis and at the date of disposal.

Taxation of non-UK Resident Shareholders

All interest distributions will be paid without deduction of income tax so no evidence of non-UK tax residency will be required.

The capital gains position and income tax liabilities of non-UK resident Shareholders may be determined by the tax legislation in an overseas jurisdiction.

Automatic Exchange of Financial Account Information

In order to comply with legislation implementing the UK's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the United States provisions commonly known as FATCA, EU legislation and agreements with jurisdictions outside of the EU), the Company (or its agent) will collect information about Shareholders for this purpose, including information to verify their identity and tax status. Where required by UK regulations, the Company (or its agent) may report account information about Shareholders to HMRC, who may exchange the information with the tax authorities in the jurisdictions where the Shareholder is or appears to be tax resident, in accordance with the applicable international tax agreements.

The information which may be reported includes, in the case of an individual, the reportable person's name, address, tax identification number, date and place of birth, balance of the account and the total gross amount paid or credited to the account in respect of the relevant reporting period.

When requested to do so by the Company or its agent, Shareholders must provide certification of their tax status. If a Shareholder does not provide the necessary certification, the ACD will be required to report it to HMRC.

VAT

The Company is registered for value added tax in the UK and required to account for value added tax in accordance with current laws.

Additional Information

Documents of the Company

The following documents may be inspected free of charge during normal business hours on any Business Day at the office of the ACD at Cannon Place, 78 Cannon Street, London, EC4N 6HL:

- the most recent annual and semi-annual reports of the Company
- the Instrument of Incorporation (and any amending documents)
- the latest prospectus
- the Service Agreement between the Company and the ACD referred to below

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of the material contract documents. The remaining documents are available to any person free of charge on request.

Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- the Service Agreement between the Company and the ACD; and
- the Depositary Agreement between the Company, the Depositary and the ACD.

Notice Provisions

All notices or other documents sent by the Company to a Shareholder will be sent by normal post to the address noted on the Shareholder register (or in the case of joint Shareholders to the address of the first named Shareholder) or electronically to the email address most recently notified to the Company (where the shareholder has consented to the receipt of documents and notices electronically), at the ACD's discretion. All documents and remittances are sent at the risk of the Shareholder.

UCITS

The FCA has issued a Certificate that the Company complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as amended by 88/220/EEC.

Individual Savings Accounts ("ISAs")

At the date of publication of this prospectus the Funds satisfy the eligibility requirements to be a qualifying investment for a stocks and shares component of an ISA.

Complaints

Complaints may be made to the Compliance Manager/Officer of the ACD at Cannon Place, 78 Cannon Street, London, EC4N 6HL. The Company will provide Shareholders with a copy of its complaints handling procedure and will investigate any complaint and provide a substantive response. If the response is not to the Shareholder's satisfaction, Shareholders have the right to refer complaints to the Financial Ombudsman Service, Exchange Tower, London E14 9SR (Website: www.financial-ombudsman.org.uk). Making a complaint will not prejudice your rights to commence legal proceedings.

Further information regarding any compensation scheme or any other investor compensation scheme of which the ACD or any Fund is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, are also available on request.

Conflicts of interest

The ACD, the Investment Advisers and other companies within Franklin Templeton Investments may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Advisers may in the course of their business have potential conflicts of interest with the Company or a particular Fund or that a conflict exists between the Company and other funds managed by the ACD.

Each of the ACD and the Investment Advisers will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Management Agreements respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD and the Investment Advisers will ensure that the Company and other collective investment schemes it manages are fairly treated.

The ACD maintains a written conflict of interest policy. The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its Shareholders will be prevented. Should any such situations arise the ACD will as a last resort if the conflict cannot be avoided disclose these to Shareholders in an appropriate format.

Strategy for the Exercise of Voting Rights

The ACD has a strategy for determining when and how voting rights attached to ownership of scheme property are to be exercised for the benefit of each Fund. A summary of this strategy is available on the ACD's website at www.franklintempleton.co.uk as are the details of the actions taken on the basis of this strategy in relation to each Fund.

Best Execution

The ACD must act in the best interests of each Fund when executing decisions to deal on behalf of the relevant Fund. The ACD's Order Execution Policy (including the Investment Advisors' best execution policy) sets out (i) the systems and controls that have been put in place and (ii) the basis upon which the ACD and the Investment Advisors will effect transactions and place orders in relation to the Company whilst complying with the ACD's obligations under the FCA Handbook to obtain the best possible result for the Company.

Details of the best execution policy are available on the ACD's website at www.franklintempleton.co.uk.

Remuneration Policy

The ACD has established and applies a remuneration policy which is consistent with, and promotes sound and effective risk management. Such policy and practices must not encourage risk taking which is inconsistent with the risk profile or prospectus of the Company, and must not impair compliance with the ACD's duty to act in the best interest of the Company.

The remuneration requirements apply to categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the ACD or the Company. The remuneration includes a fixed (essentially the base salary) and variable component (annual bonuses or quarterly sales bonuses). The level of funding of the annual bonus (which can be paid in cash, equity awards or a combination of both) is dependent on overall Franklin Resources, Inc. corporate performance, is approved by a compensation committee and is granted with reference to the actual performance of the relevant individual. A significant portion of the bonus can be deferred and vesting occurs over a three year period. Payment of bonuses can also be subject to claw back provisions. The details of the up-to-date remuneration policy, including a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the compensation committee is available on the Internet site: http://www.franklintempleton.co.uk (a paper copy will be made available free of charge upon request).

Changes to the Company or the Funds

Where any changes are proposed to be made to the Company or a Fund the ACD will assess whether the change is fundamental, significant or notifiable in accordance with the FCA Rules. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable notice of the change.

Telephone Recording

Please note that the ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where we can identify the call. If you ask us to send you a recording of a particular call, we may ask for further information to help us identify the exact call to which your request relates.

Inducements and Commission

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, the Funds, an Investment Adviser or the ACD (as relevant) will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party.

The Investment Adviser or ACD will return to each relevant Fund as soon as reasonably possible after receipt of any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf

of a third party in relation to the services provided to that Fund, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

However, the Investment Adviser or ACD may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the fund; and of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of each Fund.

General

Words and expressions which are defined in the OEIC Regulations or in the FCA Rules have the same meanings where they are used in this prospectus (except where inconsistent with the context). References to such OEIC Regulations or FCA Rules or any of them or to any individual regulation or rule or to any statute or statutory instrument or other regulation or rule will be deemed to include a reference to such regulation or rule, statute, statutory instrument or other regulation or rule as from time to time amended and to any codification, consolidation or re-enactment thereof as from time to time in force.

The information contained in this prospectus is based on the ACD's understanding of current law and practice at the date of issue. Prospective investors should check with their professional adviser or the ACD that this version has not been superseded or revised.

Governing Law

All deals in Shares are governed by English law.

Further Information

Requests for further information, or for clarification of any points, in relation to any of the Funds should be made to the ACD at Cannon Place, 78 Cannon Street, London, EC4N 6HL.

Appendix 1

Eligible Securities and Derivatives Markets

Subject to their respective investment objectives and policies, the Funds may invest in the eligible securities markets listed below. In addition, up to 10 per cent in value of any Fund may be invested in transferable securities which are not approved securities.

1. A market established in a member state of the European Union or in any other state within the European Economic Area on which transferable securities admitted to official listing are dealt in or traded.
2. The US OTC Bond Market (as regulated by The Financial Industry Regulated Authority (FINRA))
3. Any market established under the rules of any of the following investment exchanges:

Country	Investment Exchange
*Argentina	Buenos Aires Stock Exchange Bolsa de Comercia de Buenos Aires
Australia	Australian Securities Exchange Limited
Bahrain	Bahrain Bourse
Bangladesh	Dhaka Stock Exchange
Bermuda	Bermuda Stock Exchange
Botswana	Botswana Stock Exchange
Brazil	Bolsa de Valores do Rio de Janeiro BM&F BOVESPA
Bulgaria	Bulgaria Stock Exchange
Canada	TMX Group Toronto Stock Exchange
Chile	Santiago Stock Exchange (Bolsa de Comercio de Santiago) Electronic Exchange of Chile (Bolsa Electronica de Chile)
China	Shanghai Stock Exchange 'B' Shares only Shenzen Stock Exchange 'B' Shares only
Colombia	Bolsa de Valores de Colombia (BVC)
Croatia	Zagreb Stock Exchange
Czech Republic	Prague Stock Exchange
Egypt	The Egyptian Exchange
Estonia	Tallinn Stock Exchange
Ghana	Ghana Stock Exchange
Hong Kong	Hong Kong Exchange
Hungary	Budapest Stock Exchange
Iceland	OMX Nordic Exchange

Country	Investment Exchange
India	National Stock Exchange of India Bombay Stock Exchange
Indonesia	Indonesia Stock Exchange
Israel	Tel Aviv Stock Exchange
Japan	Tokyo Stock Exchange Osaka Securities Exchange Nagoya Stock Exchange Fukuoka Stock Exchange Sapporo Securities Exchange
Jordan	Amman Stock Exchange
Kazakhstan	Kazakhstan Stock Exchange
Latvia	Riga Stock Exchange
Lithuania	Vilnius Stock Exchange
Malaysia	Bursa Malaysia
Mauritius	Mauritius Stock Exchange
Mexico	Mexico Bolsa Mexicana de Valores
Morocco	Morocco Bourse Des Valeurs de Casablanca
Namibia	Namibia Stock Exchange
New Zealand	New Zealand Exchange
Nigeria	Nigerian Stock Exchange
Norway	Oslo Bors Stock Exchange
Oman	Muscat Securities Market
Panama	Panama Stock Exchange
Pakistan	Karachi Stock Exchange
Peru	Lima Stock Exchange

Country	Investment Exchange
Philippines	Philippine Stock Exchange
Poland	Warsaw Stock Exchange (Gielda Papierow Wartosciowych w Warszawie)
Qatar	Qatar Exchange
Romania	Bucharest Stock Exchange
Russia	Moscow Exchange MICEX-RTS
Saudi Arabia	Tadawul
Serbia	Belgrade Stock Exchange
Singapore	Singapore Exchange
Slovakia	Bratislava Stock Exchange
Slovenia	Ljubljana Stock Exchange
South Africa	Johannesburg Stock Exchange Bond Market Association
Republic of South Korea	Korean Stock Exchange
Sri Lanka	Colombo Stock Exchange

Country	Investment Exchange
Switzerland	Six Swiss Exchange AG
Taiwan	Taiwan Stock Exchange Corporation
Thailand	The Stock Exchange of Thailand
Tunisia	Tunis Stock Exchange
Turkey	Istanbul Stock Exchange (Istanbul Menkul Kiymetler Borsasi)
Ukraine	Ukraine Stock Exchange
United Arab Emirates	NASDAQ Dubai Abu Dhabi Securities Market
United States	New York Stock Exchange NASDAQ Chicago Stock Exchange NASDAQ OMX BX National Stock Exchange NYSE Arca NASDAQ OMX PHLX
Uruguay	Stock Exchange of Montevideo
Vietnam	Ho Chi Minh Stock Exchange (HOSE)

* The Bolsa de Comercio de Buenos Aires in Argentina would ordinarily be considered as an Eligible Market, but as at the date of this prospectus does not currently satisfy the criteria due to currency repatriation restrictions. This may be subject to change.

Subject to their respective investment objectives and policies, the Funds may invest in the following Eligible Derivatives Markets:

Eligible Derivatives Markets	
UK	The London Stock Exchange plc OMLX, The London Securities and Derivatives Exchange Ltd
Overseas	The National Association of Securities Dealers Incorporated (NASDAQ) American Stock Exchange Australian Stock Exchange Bolsa Mexicana de Valores Chicago Board of Trade Chicago Board Options Exchange Chicago Mercantile Exchange Copenhagen Stock Exchange (including FUTOP) Eurex NYSE Euronext Hong Kong Futures Exchange Hong Kong Stock Exchange ICE Futures Europe ICE Futures US The Irish Stock Exchange Johannesburg Stock Exchange Korea Stock Exchange Luxembourg Stock Exchange MEFF Renta Fija MEFF Renta Variable Montreal Stock Exchange NASDAQ OMX Futures Exchange New York Stock Exchange New Zealand Stock Exchange OMX Nordic Exchange Stockholm AB Osaka Securities Exchange Pacific Stock Exchange Philadelphia Stock Exchange Singapore Exchange (SGX) Singapore Stock Exchange South African Futures Exchange (SAFEX) Sydney Futures Exchange Tokyo Stock Exchange Toronto Stock Exchange Vancouver Stock Exchange

Appendix 2

Investment Management and Borrowing Powers of the Company

Investment Restrictions

The scheme property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits on investment set out in Chapter 5 of the FCA Rules that are applicable to UCITS schemes, and this Prospectus. These limits apply to each Fund as summarised below:

1. Prudent Spread of Risk

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the scheme property of each Fund aims to provide a prudent spread of risk.

2. Valuation

(a) The value of the scheme property of each Fund means the net value of the scheme property of that Fund determined in accordance with the FCA Rules, after deducting any outstanding borrowings, whether immediately due to be repaid or not.

(b) When valuing the scheme property of each Fund:

(i) the time at which the valuation is being carried out ("the relevant time");

(ii) is treated as if it were a valuation point, but the valuation and the relevant time do not count as a valuation or a valuation point for the purposes of the FCA Rules;

(iii) initial outlay is regarded as remaining part of the scheme property of the Fund; and

(iv) if the ACD, having taken reasonable care, determines that the Fund will become entitled to any unrealised profit which has been made on account of a transaction in derivatives, that prospective entitlement is regarded as part of the scheme property of that Fund.

3. Cover

(a) Where the FCA Rules allow a transaction to be entered into or an investment to be retained (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) only if possible obligations arising out of the investment transaction or out of the retention would not cause any breach of any limits in the FCA Rules, it must be assumed that the maximum possible liability of the Fund under any other of those rules has also to be provided for.

(b) Where a rule in the FCA Rules permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

(i) it must be assumed that in applying any of those rules, the Fund must also simultaneously satisfy any other obligation relating to cover; and

(ii) no element of cover must be used more than once.

4. Transferable Securities

(a) A transferable security is an investment falling within article 76 (Shares, etc.), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.

(b) An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

(c) In applying paragraph 4(b) to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc.) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

(d) An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

5. UCITS Schemes – General

(a) The scheme property of each Fund must, except where otherwise provided in the FCA Rules (please see below regarding investment in collective investment schemes and the use of derivatives for efficient portfolio management), only consist solely of any or all of:

(i) transferable securities;

(ii) approved money-market instruments;

(iii) units in collective investment schemes;

(iv) derivatives and forward transactions;

(v) deposits; and

(vi) movable and immovable property that is essential for the direct pursuit of the business of the Company.

(b) Transferable securities held within each Fund must (subject to paragraph 5(c)) be:

(i) admitted to or dealt in on an eligible market as described below in paragraph 7(c)(i) or 7(d); or

(ii) dealt in on an eligible market as described below in paragraph 7(c)(ii); or

(iii) recently issued transferable securities, provided that:

(A) the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

(B) such admission is secured within a year of issue.

(c) Not more than 10% in value of the Scheme Property is to consist of transferable securities, which are not approved securities as set out in paragraph 5(a) above.

(d) Each Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

(i) the potential loss which each Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

(ii) its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder;

(iii) reliable valuation is available for it as follows:

(A) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

(B) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

(iv) appropriate information is available for it as follows:

(A) in the case of a transferable security admitted to or dealt in on an eligible market where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

(B) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

(v) it is negotiable, and

(vi) its risks are adequately captured by the risk management process of the ACD.

(e) Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

(i) not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying Shareholder; and

(ii) to be negotiable.

(f) It is not intended that the Company will have an interest in any immovable property or tangible movable property.

6. Approved Money Market Instruments

(a) A Fund may invest in money market instruments which are dealt in on the money market, are liquid and whose value can be accurately determined at any time ("approved money markets instruments"), provided that:

(i) the money market instrument is admitted to or dealt on an eligible market, or

(ii) the issue or issuer of the approved money market instrument is regulated for the purpose of protecting investors and savings. The issue or issuer shall be regarded as being so regulated if it fulfils the criteria in Chapter 5.2.10AR(2) of the FCA Rules, or

(iii) is another approved money market instrument, which fulfils the eligibility criteria set forth in Chapter 5.2.10E of the FCA Rules and the FCA has given its express approval.

(b) For the purpose of paragraph 6(a)(ii) above, the money market instrument must further:

(A) be issued or guaranteed by:

(1) a central authority of an EEA State or; if the EEA State is a federal state, one of the members making up the federation;

(2) a regional or local authority of an EEA State;

(3) the European Central Bank or a central bank of an EEA State;

(4) the European Union or the European Investment Bank;

(5) a non-EEA State or, in the case of a federal state, one of the members making up the federation;

(6) a public international body to which one or more EEA States belong, or

(B) be issued by a body, any securities of which are dealt in on an eligible market; or

(C) be issued or guaranteed by an establishment, which is:

(1) subject to prudential supervision in accordance with criteria defined by Community law, or

(2) subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law.

However, up to 10% of the Scheme Property of each Fund may be invested in non-approved money market instruments.

7. Closed End Funds Constituting Transferable Securities

(a) A unit in a closed end fund shall be taken to be transferable security for the purposes of investment by a UCITS scheme such as the Company, provided it fulfils the criteria for transferable securities set out in paragraph 5(d), and either:

(i) where the closed end fund is constituted as an investment company or a unit trust:

(A) it is subject to corporate governance mechanism applied to companies; and

(B) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

(ii) where the closed end fund is constituted under the law of contract:

(A) it is subject to corporate governance mechanisms equivalent to those applied to companies; and

(B) it is managed by a person who is subject to national regulation for the purpose of investor protection.

8. Eligible Markets Regime

(a) To protect investors, the markets on which investments of the Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold. The eligible markets for the Funds are set out in Appendix 1.

(b) Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

(c) A market is eligible for the purposes of the rules if it is:

(i) a regulated market; or

(ii) a market in an EEA State which is regulated, operates regularly and is open to the public.

(d) A market not falling within paragraph 8(c) is eligible for the purposes of the FCA Regulations if:

(i) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the scheme property;

(ii) the market is included in a list in the Prospectus; and

(iii) the Depositary has taken reasonable care to determine that:

(A) adequate custody arrangements can be provided for the investment dealt in on that market; and

(B) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

(e) In paragraph 8(d) a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

9. Transferable Securities Linked to Other Assets

(a) A UCITS scheme may invest in any other investment which shall be taken to be transferable security for the purposes of investment by a UCITS scheme provided the investment:

(i) fulfils the criteria for transferable securities set out in Chapter 5.2.7AR of the FCA Rules; and

(ii) is backed by or linked to the performance of other assets, which may differ from those in which a UCITS scheme can invest.

(b) Where an investment in 9(a) contains an embedded derivative component (see Chapter 5.2.19R(3A) of the FCA Rules), the requirements of this section with respect to derivatives and forwards will apply to that component.

10. Spread: General

(a) This rule on spread does not apply in respect of a transferable security or an approved money-market instrument to which COLL 5.2.12R (Spread: government and public securities) applies (see paragraph 12 below).

(b) For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

(c) Not more than 20% in value of the scheme property of a Fund is to consist of deposits within a single body.

(d) Not more than 5% in value of the scheme property of a Fund is to consist of transferable securities or approved money-market instruments issued by any single body.

(e) The limit of 5% in paragraph 10(d) is raised to 10% in respect of up to 40% in value of the scheme property of a Fund. Covered bonds need not be taken into account for the purpose of applying the limit of 40%.

(f) The limit of 5% in 10(d) is raised to 25% in value of the scheme property in respect of covered bonds, provided that when a Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Fund's scheme property.

(g) In applying paragraph 10(d) and (e) certificates representing certain securities are to be treated as equivalent to the underlying security.

(h) The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of a Fund. This limit is raised to 10% where the counterparty is an approved bank.

(i) Not more than 20% in value of the scheme property is to consist of transferable securities and approved money market instruments issued by the same group (as referred to in paragraph 10(b)).

(j) In applying the limits in paragraph 10 (c), (d), (e), (g) and (h), and subject to (f), not more than 20% in value of the scheme property is to consist of any combination of two or more of the following:

  (i) transferable securities (including covered bonds) or approved money-market instruments issued by; or

  (ii) deposits made with; or

  (iii) exposures from OTC derivatives transactions made with a single body.

11. Counterparty Risk and Issuer Concentration

(a) The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 10(h) and 10(j) above.

(b) When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 10(h) the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.

(c) The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.

(d) The netting agreements in paragraph 11(c) above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.

(e) The ACD may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation and must comply with the collateral requirements of the ESMA Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN).

(f) The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 10(h) when it passes collateral to an OTC counterparty on behalf of a Fund.

(g) Collateral passed in accordance with paragraph 11(f) may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.

(h) In relation to the exposure arising from OTC derivatives as referred to in paragraph 10(h) the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

(i) The ACD must calculate the issuer concentration limits referred to in paragraph 10(j) on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

12. Spread: Government and Public Securities

(a) Subject to 12(d) the following paragraph applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:

(i) an EEA State;

(ii) a local authority of an EEA State;

(iii) a non-EEA State; or

(iv) a public international body to which one or more EEA States belong.

(b) With the exception of Franklin UK Gilt Fund and Franklin Absolute Return Bond Fund, no more than 35% in value of the scheme property of a Fund will be invested in such securities issued by any one body. Subject to this there is no limit on the amount which may be invested in such securities or in any one issue.

(c) Franklin UK Gilt Fund and Franklin Absolute Return Bond Fund may invest more than 35% in value of its scheme property in such securities issued by any one body provided that:

(j) before any such investment is made, the ACD has consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the relevant Fund;

(ii) no more than 30% in value of the scheme property of the relevant Fund consists of such securities of any one issue; and

(iii) the scheme property of the relevant Fund includes such securities issued by that or another issuer of at least six different issues.

(d) In this rule, in relation to such securities:

(i) issue, issued and issuer include guarantee, guaranteed and guarantor; and

(ii) an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of issue.

(e) Notwithstanding paragraph 10(a) and subject to paragraph 12(b) and 12(c), in applying the 20% limit in paragraph 10(i) with respect to a single body, such securities issued by that body shall be taken into account.

(f) Franklin UK Gilt Fund may invest over 35% of its scheme property in the securities issued by or on behalf of or guaranteed by those issuers listed below:

(i) the government of or a local authority in the United Kingdom of Great Britain and Northern Ireland; or

(ii) the Scottish Administration; or

(iii) the Executive Committee of the Northern Ireland Assembly; or

(iv) the National Assembly of Wales.

(g) Franklin Absolute Return Bond Fund may invest over 35% of its scheme property in the securities issued by or on behalf of or guaranteed by those issuers listed below:

the Government of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), Australia, Austria, Belgium, Canada,

Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and the United States or by one of the following international organisations: World Bank, Asian Development Bank (ADB), Council of Europe Development Bank, Deutsche Ausgleichsbank (DTA), Eurofima, European Bank for Reconciliation and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KFW), LCR Finance plc, and the Nordic Investment Bank (NIB).

13. Investment in Collective Investment Schemes

(a) A Fund may invest up to 10% of the value of its scheme property in units in collective investment schemes ("second scheme") provided the second scheme satisfies all of the following conditions:

(b) The second scheme must be one that:

(i) complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

(ii) is recognised under the provisions of section 270 of the Act (Schemes authorised in designated countries or territories); or

(iii) is authorised as a non-UCITS retail scheme (provided the requirements of article 19(1)(e) of the UCITS Directive are met);

(iv) is authorised in another EEA State (provided the requirements of article 19(1)(e) of the UCITS Directive are met);

(v) is authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(A) signed the IOSCO Multilateral Memorandum of Understanding; and

(B) approved the scheme's management company, rules and depositary and custodian arrangements.

(c) the second scheme complies where relevant with paragraph 13(e) below (Investment in other group schemes);

(d) the second scheme has terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes; and

(e) The scheme property attributable to a Fund may include shares in another Fund of the Company (the "Second Fund") subject to the requirements of the following provisions.

(f) A Fund may invest in or dispose of shares of a Second Fund provided that:

(i) the Second Fund does not hold shares in any other Fund;

(ii) the requirements set out in paragraph 13(g) are complied with; and

(iii) not more than 35% in value of the scheme property of the investing or disposing Fund is to consist of shares in the Second Fund.

The maximum level of management fees of the second scheme in which a Fund invests is 2% (excluding any performance fees).

(g) A Fund must not invest in or dispose of units in a Second Fund or a second scheme, which is managed or operated by (or in the case of an OEIC whose manager is), the authorised fund manager of such authorised fund, or an associate of that manager, where there is a charge in respect of such investment or disposal, unless the manager of the fund is under a duty to pay to the fund by the close of business on the fourth business day next after that agreement to buy or to sell the amount referred to in paragraph 13(h);

(h) On investment, the amount referred to in paragraph 13(g) is either:

(i) the amount by which the consideration paid by the Fund for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or

(ii) if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;

(iii) on disposal, the amount referred to in paragraph 13(g) is the amount of any charge made for the

account of the authorised fund manager or operator of the second scheme or an associate of any of them in respect of the disposal; and

(i) In this paragraph 13:

(i) any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy made in accordance with the FCA Rules is to be treated as part of the price of the units and not as part of any charge; and

(ii) any switching charge made in respect of an exchange of units in one fund or separate part of the second scheme for units in another fund or separate part of that scheme is to be included as part of the consideration paid for the units.

14. Investment in Warrants and Nil and Partly-Paid Securities

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the FCA Rules. Not more than 5% of the Scheme Property of the Fund is to consist of warrants.

15. Derivatives

Franklin Absolute Return Bond Fund, Franklin Sterling Corporate Bond Fund, Franklin UK Gilt Fund and Templeton Global Total Return Bond Fund may use derivatives in pursuit of their investment objectives. It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of Franklin Mutual Shares Fund (no longer available for investment), Franklin UK Equity Income Fund, Franklin UK Managers' Focus Fund, Franklin UK Mid Cap Fund, Franklin UK Opportunities Fund, Franklin UK Rising Dividends Fund, Franklin UK Smaller Companies Fund, Franklin US Opportunities Fund, Templeton Global Emerging Markets Fund and Templeton Growth Fund (for the purpose of this paragraph only, the "relevant Funds").

However, the relevant Funds may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the relevant Funds, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. When the relevant Fund uses derivatives for the purposes of efficient portfolio management, it will comply with the restrictions set out in this section.

It is not intended that the use of derivatives for efficient portfolio management will cause a Fund's existing risk profile to rise. Where the use of derivatives in pursuit of a Fund's investment objective may cause a Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in a Fund.

A Fund that may use derivatives in pursuit of its investment objective, as well as a Fund that may use them for efficient portfolio management purposes, must do so in accordance with the following:

(a) A transaction in derivatives or a forward transaction must not be effected for the Fund unless (i) the transaction is of a kind specified below and (ii) the transaction is covered, as stated below.

(b) The Funds may enter into a range of swap transactions in pursuit of their investment objective (including total return swaps) or other financial derivatives instruments with similar characteristics. The underlying assets and investment strategies or such swaps, to which exposure will be gained, are described in the investment objective and policy of the Fund.

(c) The counterparty to such transactions does not have discretion over the composition or management of a Fund's portfolio or over the underlying of financial derivative instruments used by a Fund. Counterparty approval is not required in relation to any investment decision made by a Fund.

(d) The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the ACD.

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits in the paragraphs on spread save as provided below. Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with Chapter 5.2 of the FCA Rules. Where the Fund invests in an index based derivative, provided the index is a relevant index as set out in the paragraph on relevant indices below, and subject to the ACD

taking account of the rules on prudent spread of risk, the underlying constituents of the index do not have to be taken into account for the purposes of the paragraphs on spread. The rebalancing frequency of the underlying index of such financial derivative instruments is determined by the index provider and there is no cost to the Fund when the index itself rebalances.

(e) Only certain types of derivatives and forward transactions can be effected for a Fund, namely:

(i) transactions in approved derivatives (i.e. effected on or under the rules of an eligible derivatives market); and

(ii) permitted over the counter transactions in derivatives.

The underlying investments must consist of any or all of the following (to which the Fund is dedicated): transferable securities; permitted money market instruments; permitted deposits; permitted derivatives; permitted collective investment scheme units; financial indices; interest rates; foreign exchange rates and currencies. A transaction in an approved derivative must not be effected other than on or under the rules of an eligible derivatives market. A derivatives transaction must not cause the Fund to diverge from its stated investment objectives and must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, collective investment scheme units or derivatives, provided that a sale is not to be considered as uncovered if the conditions stated in (g) below are satisfied.

Any forward transactions must be with an approved counterparty.

(f) A derivatives or forward transaction which will or could lead to delivery of property for the account of the Fund may be entered into only if such property can be held by the Fund and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the FCA Rules.

(g) Except in relation to deposits, no agreement by or on behalf of a Fund to dispose of scheme property or rights may be made unless the obligation to make the disposal (and any other similar obligation) could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights and the property and rights are owned by the Fund at the time of the agreement. This does not apply where:

(i) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

(ii) the ACD or Depositary has the right to settle the derivative in cash, and cover exists within the scheme property which is cash; liquid debt instruments with appropriate safeguards; or other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards.

An asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

(h) Any transaction in an OTC derivative must be:

(i) in a future, option or contract for differences;

(ii) with an approved counterparty (namely an eligible institution, an approved bank or a person whose FCA permission or Home State authorisation permits it to enter into the transaction as a principal off-exchange); and

(iii) on approved terms (the terms of the transaction in derivatives are approved only if the ACD (a) carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty, and (b) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;

(iv) capable of reliable valuation (i.e. if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable or, if this price is not available, on the basis

of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology); and

(v) subject to verifiable valuation (i.e. if the verification of the valuation is carried out by an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it, or by a department within the ACD which is independent from the department in charge of managing the scheme property of the Fund and which is adequately equipped for such a purpose).

16. Cash Collateral

(a) Cash collateral received in the context of OTC transactions in derivatives may be:

(i) placed on deposit with entities prescribed in Article 50(f) of the UCITS Directive;

(ii) invested in high-quality government bonds;

(iii) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the UCITS is able to recall at any time the full amount of cash on an accrued basis; and

(iv) invested in short-term money market funds as defined in the Guidelines on a Common Definition of European Money Market Funds.

(b) To the extent required by the COLL Sourcebook, reinvestments of such cash collateral must be taken into account for the calculation of the Funds' global exposure.

(c) Cash collateral received and reinvested prior to 18 February 2013 may remain invested in the following until 17 February 2014 after which it must comply with paragraph 16(a) above:

(i) money market instruments as defined in Directive 2007/16/EC of 19 March 2007; and

(ii) bonds issued or guaranteed by first class issuers offering an adequate liquidity.

(d) With effect from 18 February 2014, when cash collateral received is reinvested in reverse repurchase agreement transactions, the full amount of cash must be recallable at any time.

(e) Collateral received from the counterparty to an OTC Derivative transaction may be offset against gross counterparty exposure provided it meets a range of standards, including those for liquidity, valuation, issuer credit quality, correlation and diversification. In offsetting collateral, its value is reduced by a percentage (a "haircut") which provides, amongst other things, a buffer against short term fluctuations in the value of the exposure and of the collateral. Collateral levels are maintained to ensure that net counterparty exposure does not exceed the limits per counterparty as set out. Collateral is received in the form of securities and cash. Non-cash collateral received is not sold, reinvested or pledged.

(f) The reinvestment of cash collateral received is restricted to high quality government bonds, deposits, reverse repos and short term money market funds, in order to mitigate the risk of losses on reinvestment. For funds which received collateral for at least 30% of their assets, the associated liquidity risk is assessed.

17. Valuation of OTC Derivatives

(a) The ACD must:

(i) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and

(ii) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

(b) Where the arrangements and procedures referred to above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13R (Additional requirements for a management company) and COLL 6.6A.4R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

(c) The arrangements and procedures referred to in this rule must be:

(i) adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

(ii) adequately documented.

18. Risk Management

(a) The ACD uses a risk management process, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of a Fund.

(b) The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:

(i) a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and

(ii) the methods for estimating risks in derivative and forward transactions.

19. Significant Influence

(a) The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

(i) immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power to influence significantly the conduct of business of that body corporate; or

(ii) the acquisition gives the Company that power.

(b) For the purpose of paragraph 19(a)(ii) the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

20. Concentration

The Company:

(a) must not acquire transferable securities (other than debt securities) which:

(i) do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

(ii) represent more than 10% of those securities issued by that body corporate;

(b) must not acquire more than 10% of the debt securities issued by any single issuing body;

(c) must not acquire more than 25% of the units in a collective investment scheme;

(d) must not acquire more than 10% of the approved money-market instruments issued by any single body;

(e) need not comply with the limits in paragraphs 20(b) to 20(d) of this part of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

21. Cash and Near Cash

(a) At times it may be appropriate for the property of a Fund not to be fully invested and for cash or near cash (meaning essentially, certain types of deposit) to be held. Cash and near cash must not be retained in the scheme property of a Fund except to the extent that, where this may reasonably be regarded as necessary in order to enable:

(i) the pursuit of the Fund's investment objectives; or

(ii) redemption of shares; or

(iii) efficient management of the Fund in accordance with its investment objectives; or

(iv) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

(b) During the period of any initial offer, the scheme property of a Fund may however consist of cash and near cash without limitation.

22. General Powers to Borrow

(a) The Company may in accordance with this paragraph and paragraph 21 borrow money for the use of a Fund on terms that the borrowing is to be repayable out of the Scheme Property of that Fund. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the Instrument.

(b) The Company may borrow under paragraph 22(a) only from an eligible institution or an approved bank as set out in the FCA Rules.

(c) The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:

(i) the duration of any period of borrowing; and

(ii) the number of occasions on which resort is had to borrowing in any period.

(d) The ACD must ensure that no period of borrowing exceeds three months, whether in respect of any specific sum or at all, without the prior consent of the Depositary. The Depositary may only give its consent as required under this paragraph on such conditions as appear to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis only.

(e) These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.

(f) A company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this paragraph 22.

23. Borrowing Limits

(a) The ACD must ensure that a Fund's borrowing does not, on any business day, exceed 10% of the value of the scheme property of that Fund.

(b) This paragraph does not apply to "back to back" borrowing for currency hedging purposes.

(c) In this paragraph 23, "borrowing" includes, as well as borrowing in a conventional manner; any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the scheme property in the expectation that the sum will be repaid.

24. Restrictions on Lending of Money

(a) None of the money in the scheme property of a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

(b) Acquiring a debenture is not lending for the purposes of paragraph 24(a) nor is the placing of money on deposit or in a current account.

(c) Paragraph 24(a) does not prevent the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

25. Restrictions on Lending of Property Other than Money

(a) The scheme property of a Fund other than money must not be lent by way of deposit or otherwise.

(b) Transactions permitted by paragraph 30 are not lending for the purposes of paragraph 23(a).

(c) The scheme property of a Fund must not be mortgaged.

26. Underwriting

Underwriting and sub-underwriting contracts and placings may also, subject to certain conditions set out in the FCA Rules, be entered into for the account of the Company.

27. Guarantees and Indemnities

(a) The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

(b) None of the scheme property of a Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

(c) Paragraphs 22 (a) and (b) do not apply to:

(i) any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with Chapter 5 of the FCA Rules.

(ii) any indemnity falling within the provisions of regulation 62(3) of the OEIC Regulations (Exemptions from liability to be void).

(iii) an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the scheme property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the scheme property; and

(iv) an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first shareholders in the Company.

28. Efficient Portfolio Management

(a) Funds may use derivative transactions or forward currency transactions for the purpose of efficient portfolio management (EPM). However; such transactions must be:

(i) economically appropriate (see (b) below);

(ii) fully covered by assets within the Fund (see (d) below); and

(iii) used to achieve one or more of the following:

(A) a reduction in risk,

(B) a reduction in cost,

(C) the generation of additional capital or income with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in the FCA Rules (see (c) below).

Where a transaction for a Fund relates to the potential acquisition of transferable securities, the ACD must ensure that, where the Fund intends to invest in the said securities, it does so within a reasonable time unless it is not considered efficient to do so.

(b) A transaction will be economically appropriate (for the purpose of 28(a) (i) above) if it is one which (alone or in combination with one or more others), in the ACD's reasonable opinion, may be realised in a cost effective way.

(c) Transactions deemed to offer an appropriate level of risk under paragraph 28(a)(iii)(C) above may include, but are not limited to:

(i) transactions which take advantage of pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights in relation to the same or equivalent property; or

(ii) transactions where the Fund receives a premium for the writing of a covered call or put option, even if the benefit arising is obtained at the expense of the chance of greater possible future benefit.

(d) No transaction may be entered into for the purpose of efficient portfolio management unless the maximum potential exposure created by the transaction is covered to the extent required by the FCA Rules. The maximum potential exposure may be covered by cash or other assets of the Fund, which are reasonably deemed by the ACD to provide appropriate cover for the exposure; they may be so regarded even if there is not complete congruence between the cover and the exposure.

(e) For the purposes of efficient portfolio management, any derivatives transactions must be in a derivative which is traded or dealt in on an Eligible Derivatives Market (and effected in accordance with the rules of that market), or a "synthetic future" (i.e. a composite derivative created out of two separate options) or an off-exchange option.

Forward transactions must be entered into with approved counterparties (as defined in the Glossary).

(f) The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. Before using the process, the ACD will notify the FCA of the methods for estimating risks in derivative and forward transactions and the types of derivatives and forwards to be used within a Fund together with their underlying risks and any relevant quantitative limits.

(g) The ACD measures the creditworthiness of counterparties as part of the risk management process. The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the ACD. A counterparty may be an associate of the ACD which may give rise to a conflict of interest.

(h) Any income or capital generated by EPM (out of direct or indirect costs) will be paid to the Fund.

29. General

(a) It is not intended that any Fund will have an interest in any immovable property or tangible movable property.

(b) A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

30. Stock Lending

(a) As an extension of EPM explained above, the Depositary at the request of the ACD, may enter into certain stock lending transactions and repo contracts in respect of a Fund when it reasonably appears to the ACD to be appropriate to do so with a view to generating additional income and capital for a Fund with an acceptable degree of risk. Briefly, such transactions are those where the Depositary delivers securities which are the subject of the transaction in return for which it is agreed that securities of the same kind and amount should be redelivered to the Depositary at a later date. The Depositary at the time of delivery receives assets as collateral to cover against the risk of the future redelivery not being completed. There is no limit on the value of Scheme Property which may be the subject of stock lending transactions.

(b) Such transactions must always comply with the requirements of the Income and Corporation Taxes Act 1988 and any secondary legislation made under that Act. The transactions must also comply with the requirements of the FCA Rules and the guidance on stock lending issued by the FCA as amended from time to time.

31. Stock lending collateral

(a) Collateral is typically a minimum of 100% of the market value of the lent securities.

(b) The Funds do not currently expect to accept or reinvest cash collateral, although it has the ability to do so.

(c) The Funds may accept non-cash collateral of the following types:

(i) negotiable debt obligations (collectively, "sovereign bonds") having a credit rating of at least AA from S&P and/or Aa3 from Moody's, respectively;

(ii) UK Equity Securities listed on the FTSE250;

(iii) other equities listed on European exchanges at the ACD's discretion.

(d) Non-cash collateral received by a Fund will not be sold, re-invested or pledged.

32. Reverse Repurchase Agreements

(a) Where a Fund enters into a reverse repurchase contract, it will have the right to recall the full amount of cash or to terminate the reverse repurchase contract on either an accrued or a mark-to-market basis at any time. Where the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase contract shall be used for the purposes of the calculation of the Net Asset Value of the relevant Fund.

(b) Where a Fund enters into repurchase contracts, the Fund will have the right to recall any securities subject to the agreement or to terminate the repurchase contract at any time.

(c) Fixed term repurchase and reverse repurchase contracts that do not exceed seven days shall be regarded as arrangements on terms that allow the assets to be recalled at any time by the relevant Fund.

33. Derivatives Exposure

(a) A Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

(b) Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the Net Asset Value of the Scheme Property. Therefore, the Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed.

(c) Cover used in respect of one transaction in derivatives or forward transactions must not be used for cover in respect of another transaction in derivatives or a forward transaction.

33. Cover for Investment in Derivatives

A Fund may invest in derivatives and forward transactions as part of its investment policy provided:

(a) its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and

(b) its global exposure to the underlying assets does not exceed, in aggregate, the investment limits laid down above.

34. Daily Calculation of Global Exposure

(a) The ACD must calculate the global exposure of a Fund on at least a daily basis.

(b) For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

35. Calculation of Global Exposure

(a) The ACD must calculate the global exposure of any Fund it manages either as:

  (i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 15 (Derivatives: general), which may not exceed 100% of the net value of the scheme property of a Fund, by way of the commitment approach; or

  (ii) the market risk of the scheme property of a Fund, by way of the value at risk approach.

(b) The ACD must ensure that the method selected above is appropriate, taking into account:

  (i) the investment strategy pursued by the Fund;

  (ii) the types and complexities of the derivatives and forward transactions used; and

  (iii) the proportion of the scheme property comprising derivatives and forward transactions.

(c) Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 30 (Stock lending) in order to generate additional leverage or exposure to

market risk, the ACD must take those transactions into consideration when calculating global exposure.

(d) For the purposes of this paragraph, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

36. Commitment Approach

(a) Where the ACD uses the commitment approach for the calculation of global exposure, it must:

(i) ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 15 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with paragraph 30 (Stock lending); and

(ii) convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

(b) The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

(c) For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

(d) Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

(e) Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund need not form part of the global exposure calculation.

37. Collateral Management Policy

The ACD is required to have a collateral management policy and to keep that policy under regular review. The policy defines "eligible" types of collateral which the Funds may receive to mitigate counterparty exposure (including any applicable haircuts). A haircut is a reduction to the market value of the collateral in order to allow for a cushion in case the market value of that collateral falls. Collateral will generally be of high quality and liquid e.g. cash and government securities. The policy will also include any additional restrictions deemed appropriate by the ACD. The ACD will accept the following permitted types of collateral: cash, government securities, certificates of deposit; bonds or commercial paper issued by "relevant institutions".

Collateral will be subject to a haircut depending on the class of assets received. The haircut policy depends on the quality of assets received, their price volatility, together with the outcome of any stress tests performed under normal and exceptional liquidity conditions.

Where cash collateral, is received, if it is reinvested, it will be diversified in accordance with the requirements of ESMA's Guidelines on ETFs and other UCITS issues (ESMA/2012/832EN). Where a Fund re-invests cash collateral in one or more permitted types of investment, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested.

38. Total Return Swap Transactions

A Fund which is authorised as per its investment policy to invest in total return swaps but which does not enter into such transactions as of the date of this Prospectus may however enter into total return swaps transactions provided that the maximum proportion of the net assets of that Fund that could be subject to such transactions does not exceed 30% and that the relevant section relating to this individual Fund is updated accordingly at the next available opportunity. In such cases, the counterparty to the transaction will be a counterparty approved and monitored by the ACD or the Investment Adviser. At no time will a counterparty in a transaction have discretion over the composition or the management of a Fund's investment portfolio or over the underlying asset of the total return swap. While there are no predetermined legal status or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process.

The following types of assets can be subject to total return swaps: equity, currency and/or commodity indices, volatility variance swaps as well as fixed income, most notably high yield corporate and bank loan related exposures.

The risk of counterparty default and the effect on investors returns are more fully described in the "Risk Factors" section.

Where a Fund enters into total return swaps transactions as of the date of this Prospectus, the expected proportion of such Fund's net assets that could be subject to total return swaps transactions shall be calculated as the sum of notionals of the derivatives used and is set out in the "Investment Objectives and Policies of the Funds" section for the relevant Fund. If and when a Fund enters into total return swaps transactions, it is for the purpose of generating additional capital or income and/or for reducing costs or risks.

All revenues arising from total return swaps transactions will be returned to the relevant Fund, and the ACD will not take any fees or costs out of those revenues additional to the annual management charge for the relevant Fund as set out in the "The ACD's Annual Management Charge" section.

Appendix 3

Winding up the Company and Termination of a Fund

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under Chapter 7.3 of the FCA Rules. A Fund may only be terminated under the FCA Rules.

Where the Company is wound up or a Fund terminated under the FCA Rules, such winding up or termination may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company, or the Fund as the case may be) either that the Company or the Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Company or the Fund will be unable to do so. The Company may not be wound up or a Fund terminated under the FCA Rules if there is a vacancy in the position of ACD at the relevant time. The Company may be wound up or a Fund terminated under the FCA Rules if:

(a) an extraordinary resolution to that effect is passed by Shareholders, or

(b) the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a Fund is to be wound up, including where the Share capital of the Company is below its prescribed minimum or (in relation to any Fund) the Net Asset Value of the Fund is less than £100,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund, or

(c) the FCA agrees to a request by the ACD for the revocation of the authorisation order in respect of the Company or the relevant Fund.

On the occurrence of any of the above:

(a) Chapters 5 (Investment and Borrowing Powers) and 6.2 (Dealing) and 6.3 (Valuation and Pricing) of the FCA Rules will cease to apply to the Company or the particular Fund;

(b) the Company will cease to issue and cancel Shares in the Company or the particular Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the particular Fund;

(c) no transfer of a Share shall be registered and no other change to the register will be made without the sanction of the ACD;

(d) where the Company is being wound up or a Fund terminated, the Company or the Fund will cease to carry on its business except in so far as it is beneficial for the winding up of the Company or for the termination of the Fund;

(e) the corporate status and powers of the Company and, subject to the preceding provision of (a) and (d) above, the powers of the ACD will remain until the Company is dissolved.

(f) The ACD will, as soon as practicable after the Company or the Fund falls to be wound up or terminated, realise the assets and meet the liabilities of the Company or the Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the scheme property of the Company or the Fund. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or to terminate a Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give notice in writing to Shareholders. When the ACD has caused all of the scheme property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD will arrange for the Depositary to also make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining, in proportion to their holdings in the Company or the particular Fund.

As soon as reasonably practicable after completion of the winding up of the Company or the termination of the particular Fund, the Depositary will notify the FCA that it has done so.

On completion of a winding up of the Company or the termination of a Fund, the Company will be dissolved or the Fund will be terminated and any money (including unclaimed distributions) standing to the account of the Company or the Fund, will be paid into court within one month of dissolution or termination.

Following the completion of a winding up of the Company or the termination of a Fund, the ACD must prepare a final account showing how the winding up or termination took place and how the scheme property was distributed. The auditors of the Company will make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder.

Appendix 4

List of Sub-Custodians

Country/Market	Sub-Custodians	Entity Address
Argentina	Citibank N.A., Argentina	Buenos Aires
Australia	The Hongkong and Shanghai Banking Corporation Limited	Parramatta, NSW
Austria	UniCredit Bank Austria AG	Vienna
Bahrain	HSBC Bank Middle East Limited	Bahrain
Bangladesh	The Hongkong and Shanghai Banking Corporation Limited	Dhaka
Belgium	The Bank of New York Mellon SA/NV	Brussels
Belgium	Citibank Europe Plc, UK branch	London
Bermuda	HSBC Bank Bermuda Limited	Hamilton
Botswana	Stanbic Bank Botswana Limited	Gaborone
Brazil	Citibank N.A., Brazil	Sao Paulo
Brazil	Itau Unibanco S.A.	Sao Paulo
Bulgaria	Citibank Europe plc, Bulgaria Branch	Sofia
Canada	CIBC Mellon Trust Company (CIBC Mellon)	Toronto
Cayman Islands	The Bank of New York Mellon	New York
Channel Islands	The Bank of New York Mellon	New York
Chile	Banco de Chile	Santiago
Chile	Itau Corpbanca S.A.	Santiago
China	HSBC Bank (China) Company Limited	Shanghai
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria	Bogoto
Costa Rica	Banco Nacional de Costa Rica	San José
Croatia	Privredna banka Zagreb d.d.	Zagreb
Cyprus	BNP Paribas Securities Services	Athens
Czech Republic	Citibank Europe plc, organizacni slozka	Prague
Denmark	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Egypt	HSBC Bank Egypt S.A.E.	Cairo
Estonia	SEB Pank AS	Tallinn
Eswatini	Standard Bank Eswatini Limited	Mbabane
Euromarket	Clearstream Banking S.A	Luxembourg
Euromarket	Euroclear Bank	Brussels

Country/Market	Sub-Custodians	Entity Address
Finland	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
France	The Bank of New York Mellon SA/NV	Brussels
Germany	The Bank of New York Mellon SA/NV	Frankfurt am Main
Ghana	Stanbic Bank Ghana Limited	Accra
Greece	BNP Paribas Securities Services	Athens
Hong Kong	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong
Hungary	Citibank Europe plc. Hungarian Branch Office	Budapest
Iceland	Landsbankinn hf.	Reykjavik
India	Deutsche Bank AG	Mumbai
India	The Hongkong and Shanghai Banking Corporation Limited	Mumbai
Indonesia	Deutsche Bank AG	Jakarta
Ireland	The Bank of New York Mellon	New York
Israel	Bank Hapoalim B.M.	Tel Aviv
Italy	The Bank of New York Mellon SA/NV	Brussels
Japan	Mizuho Bank, Ltd.	Tokyo
Japan	MUFG Bank, Ltd.	Tokyo
Jordan	Standard Chartered Bank, Jordan Branch	Jordon
Kazakhstan	Citibank Kazakhstan Joint-Stock Company	Almaty
Kenya	Stanbic Bank Kenya Limited	Nairobi
Kuwait	HSBC Bank Middle East Limited, Kuwait	Safat
Latvia	AS SEB banka	Kekavas novads
Lithuania	AB SEB bankas	Vilnius
Luxembourg	Euroclear Bank	Brussels
Malawi	Standard Bank PLC	Lilongwe
Malaysia	Deutsche Bank (Malaysia) Berhad	Kuala Lumpur
Malta	The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main	Frankfurt am Main, Germany
Mauritius	The Hongkong and Shanghai Banking Corporation Limited	Ebene
Mexico	Banco S3 México S.A.	Ciudad de México
Mexico	Citibanamex	Colonia Santa Fe
Morocco	Citibank Maghreb S.A.	Casablanca
Namibia	Standard Bank Namibia Limited	Kleine Kuppe
Netherlands	The Bank of New York Mellon SA/NV	Brussels, Belgium
New Zealand	The Hongkong and Shanghai Banking Corporation Limited	Auckland

Country/Market	Sub-Custodians	Entity Address
Nigeria	Stanic IBTC Bank Plc.	Lagos
Norway	Skandinaviska Enskilda Banken AB (Publ)	Stockholm, Sweden
Oman	HSBC Bank Oman S.A.O.G.	Sultanate of Oman
Pakistan	Deutsche Bank AG	Karachi
Peru	Citibank del Peru S.A.	Lima
Philippines	Deutsche Bank AG	Taguig City 1634
Poland	Bank Polska Kasa Opieki S.A.	Warszawa
Portugal	Citibank Europe Plc	Dublin
Qatar	HSBC Bank Middle East Limited, Doha	Doha
Romania	Citibank Europe plc Dublin, Romania Branch	Bucharest
Russia	PJSC ROSBANK	Moscow
Saudi Arabia	HSBC Saudi Arabia	Riyadh
Serbia	UniCredit Bank Serbia JSC	Belgrade
Singapore	DBS Bank Ltd	Singapore
Slovak Republic	Citibank Europe plc, pobocka zahranicnej banky	Bratislava
Slovenia	UniCredit Banka Slovenia d.d.	Ljubljana
South Africa	Standard Chartered Bank	Johannesburg
South Africa	The Standard Bank of South Africa Limited	Johannesburg
South Korea	The Hongkong and Shanghai Banking Corporation Limited	Seoul
South Korea	Deutsche Bank AG	Seoul
Spain	Banco Bilbao Vizcaya Argentaria, S.A.	Bilbao
Spain	Santander Securities Services, S.A.U.	Madrid
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited	Colombo
Sweden	Skandinaviska Enskilda Banken AB (Publ)	Stockholm
Switzerland	Credit Suisse (Switzerland) Ltd	Zurich
Switzerland	UBS Switzerland AG	Zurich
Taiwan	HSBC Bank (Taiwan) Limited	Taipei City
Tanzania	Stanbic Bank Tanzania Limited	Dar es Salaam
Thailand	The Hongkong and Shanghai Banking Corporation Limited	Bangkok
Tunisia	Union Internationale de Banques	Tunis
Turkey	Deutsche Bank A.S.	Istanbul
U.A.E.	HSBC Bank Middle East Limited, Dubai	Dubai
U.K.	Depository and Clearing Centre (DCC) Deutsche Bank AG, London Branch	London
U.K.	The Bank of New York Mellon	New York

Country/Market	Sub-Custodians	Entity Address
U.S.A.	The Bank of New York Mellon	New York
U.S.A. Precious Metals	HSBC Bank, USA, N.A	New York
Uganda	Stanbic Bank Uganda Limited	Kampala
Ukraine	JSC "Citibank"	Kiev
Uruguay	Banco Itaú Uruguay S.A.	Montevideo
Vietnam	HSBC Bank (Vietnam) Ltd	Ho Chi Minh City
WAEMU	Société Générale Côte d'Ivoire	Abidjan 01, Ivory Coast
Zambia	Stanbic Bank Zambia Limited	Lusaka
Zimbabwe	Stanbic Bank Zimbabwe Limited	Harare

Appendix 5

Franklin Templeton Funds Performance Table

The following table shows the performance in the Share price for each Share Class over (where applicable) the preceding five calendar years in percentage terms.

Fund	Share Class	01/01/19 to 31/12/19 %	01/01/18 to 31/12/18 %	01/01/17 to 31/12/17 %	01/01/16 to 31/12/16 %	01/01/15 to 31/12/15 %
Franklin Absolute Return Bond Fund[6]	W(acc)	3.52	-	-	-	-
Franklin Mutual Shares Fund[7]	A(acc)	18.97	-6.88	-1.80	38.57	-0.13
Franklin Mutual Shares Fund[7]	A(inc)	18.96	-6.90	-1.81	38.54	-0.13
Franklin Mutual Shares Fund[7]	W(acc)	19.86	-6.19	-1.08	39.60	0.62
Franklin Mutual Shares Fund[7]	Z(acc)	19.63	-6.38	-1.28	39.33	0.42
Franklin Sterling Corporate Bond Fund[5]	W(acc)	10.42	-2.15	-	-	-
Franklin Sterling Corporate Bond Fund[5]	W(inc)	10.31	-2.18	-	-	-
Franklin UK Equity Income Fund	A(acc)	22.45	-9.83	10.88	14.31	4.74
Franklin UK Equity Income Fund	A(inc)	22.36	-9.78	10.77	14.19	4.53
Franklin UK Equity Income Fund	W(acc)	23.67	-8.87	12.04	15.34	5.52
Franklin UK Equity Income Fund	W(inc)	23.57	-8.84	11.93	15.22	5.30
Franklin UK Equity Income Fund	Z(acc)	23.09	-9.33	11.49	14.93	5.32
Franklin UK Equity Income Fund	Z(inc)	22.99	-9.29	11.38	14.83	5.09
Franklin UK Gilt Fund[5]	W(acc)	6.60	0.73	-	-	-
Franklin UK Gilt Fund[5]	W(inc)	6.57	0.71	-	-	-
Franklin UK Managers' Focus Fund	A(acc)	27.07	-13.15	14.61	6.90	11.68
Franklin UK Managers' Focus Fund	W(acc)	28.02	-12.50	15.47	7.70	12.52
Franklin UK Managers' Focus Fund	Z(acc)	27.76	-12.67	15.24	7.50	12.28
Franklin UK Mid Cap Fund	A(inc)	41.09	-14.11	25.33	-0.97	13.38
Franklin UK Mid Cap Fund	W(acc)	42.30	-13.46	26.43	-0.23	14.32
Franklin UK Mid Cap Fund	W(inc)	42.08	-13.48	26.21	-0.16	14.17
Franklin UK Mid Cap Fund	Z(acc)	42.02	-13.64	26.18	-0.43	14.09
Franklin UK Opportunities Fund	A(inc)	22.56	-11.83	10.42	9.70	4.27
Franklin UK Opportunities Fund	W(acc)	23.82	-10.92	11.67	10.64	5.18
Franklin UK Opportunities Fund	W(inc)[4]	23.77	-10.91	11.55	10.52	4.58
Franklin UK Opportunities Fund	Z(acc)	23.24	-11.37	11.12	10.25	4.97
Franklin UK Rising Dividends Fund[1]	A(inc)	21.70	-8.91	12.04	12.88	6.17
Franklin UK Rising Dividends Fund[1]	W(acc)	23.01	-7.96	13.30	14.13	7.10
Franklin UK Rising Dividends Fund[1]	W(inc)[3]	22.90	-7.96	13.21	13.87	6.90
Franklin UK Rising Dividends Fund[1]	Z(acc)	22.44	-8.41	12.74	13.72	6.89
Franklin UK Rising Dividends Fund[1]	Z(inc)[3]	22.33	-8.41	12.65	13.46	-
Franklin UK Smaller Companies Fund	A(inc)	30.62	-16.28	27.44	-1.21	24.63
Franklin UK Smaller Companies Fund	W(acc)	31.65	-15.67	28.46	-0.47	25.61
Franklin UK Smaller Companies Fund	W(inc)[4]	31.52	-15.65	28.31	-0.49	24.90
Franklin UK Smaller Companies Fund	Z(acc)	31.39	-15.84	28.20	-0.67	25.37
Franklin US Opportunities Fund	A(acc)	28.84	-0.01	15.30	18.14	11.18

Fund	Share Class	01/01/19 to 31/12/19 %	01/01/18 to 31/12/18 %	01/01/17 to 31/12/17 %	01/01/16 to 31/12/16 %	01/01/15 to 31/12/15 %
Franklin US Opportunities Fund	W(acc)	29.80	0.74	16.16	19.04	12.01
Franklin US Opportunities Fund	Z(acc)	29.55	0.54	15.93	18.80	11.89
Templeton Global Emerging Markets Fund	A(acc)	20.58	-11.91	28.06	39.47	-16.29
Templeton Global Emerging Markets Fund	W(acc)	21.18	-11.47	28.89	40.52	-15.66
Templeton Global Emerging Markets Fund	Z(acc)	21.06	-11.56	28.77	40.39	-15.75
Templeton Global Total Return Bond Fund	A(acc)	-5.17	4.98	-5.89	27.52	-0.68
Templeton Global Total Return Bond Fund	A(inc)	-5.14	4.90	-5.85	27.68	-0.73
Templeton Global Total Return Bond Fund	A(acc)H3	-3.91	-2.55	1.82	6.27	-5.42
Templeton Global Total Return Bond Fund	A(inc)H3	-3.98	-2.52	1.88	6.34	-5.60
Templeton Global Total Return Bond Fund	W (acc)	-4.65	5.55	-5.39	27.99	-0.29
Templeton Global Total Return Bond Fund	W (inc)	-4.60	5.47	-5.36	27.84	-0.32
Templeton Global Total Return Bond Fund	W(acc)H3[2]	-3.53	-1.85	2.50	6.91	-4.94
Templeton Global Total Return Bond Fund	W(inc)H3	-3.40	-2.08	2.31	6.75	-5.03
Templeton Global Total Return Bond Fund	Z(acc)	-4.84	5.34	-5.59	27.79	-0.43
Templeton Global Total Return Bond Fund	Z(inc)H3	-3.88	-2.00	2.23	6.46	-5.11
Templeton Growth Fund	A(acc)	13.27	-10.00	9.27	24.69	-0.39
Templeton Growth Fund	A(inc)	13.27	-9.98	9.25	24.64	-0.43
Templeton Growth Fund	W(acc)	14.12	-9.32	10.09	25.63	0.36
Templeton Growth Fund	Z(acc)	13.89	-9.51	9.86	25.38	0.16

1. Franklin UK Blue Chip Fund changed its name to Franklin UK Rising Dividends Fund on 30 January 2015.
2. This Share Class launched on 17 April 2014. Data prior to this date is for the A(acc)H3 share class which has higher charges.
3. This Share Class launched on 30 January 2015. Where stated, data prior to this date is for the A(inc) share class which has higher charges.
4. This Share Class launched on 4 September 2015. Data prior to this date is for the A(inc) share class which has higher charges.
5. These funds were launched on 13 February 2017.
6. This fund was launched on 28 February 2018.
7. This fund is no longer available for investment.

NB. Past performance is not a guide to future performance. Source: Franklin Templeton Investments. Performance details provided are in the Fund currency, include reinvested dividends and are net of management fees. Sales charges and other commissions, taxes and other relevant costs to be paid by an investor are not included in the calculations.

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