EXPLANATORY MEMORANDUM

April 2021



FRANKLIN TEMPLETON INVESTMENT FUNDS

FRANKLIN TEMPLETON

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
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FRANKLIN TEMPLETON

This letter is important and requires your immediate attention.

If you are in doubt about the contents of this letter, you should seek independent professional advice.

Hong Kong, 10 May 2021

Dear Investor,

Franklin Templeton Investment Funds (the "Company")
- Change to the investment management structure of the Templeton Global Climate Change Fund (the "Fund")

This letter is intended for investors who hold shares of the Company via an account with (i) Franklin Templeton Investments (Asia) Limited (the "**Hong Kong Representative**") or (ii) a duly authorized intermediary for the Hong Kong market (collectively, "**Investors**").

The purpose of this letter is to inform Investors of a change to the investment management structure of the Fund which will take effect from 11 June 2021.

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum of the Company dated April 2021, as amended from time to time (the "**Explanatory Memorandum**").

Currently, the Management Company (Franklin Templeton International Services S.à r.l.) has delegated the portfolio management of the Fund to certain investment management entities within Franklin Templeton, which are listed in the column of the table below headed "Existing investment management structure". Pursuant to an internal reorganization of investment personnel responsible for the investment management of the Fund, the investment management structure of the Fund will be revised such that an additional sub-manager will be appointed, as follows:

Fund	Existing investment management structure	Revised investment management structure (with effect from 11 June 2021)
Templeton Global Climate Change Fund	Investment Manager Franklin Templeton Investments Corp. (Canada) Sub-Manager Franklin Templeton Investment Management Limited (United Kingdom)	Investment Manager[1] Franklin Templeton Investments Corp.[2] (Canada) Sub-Managers[1] Franklin Templeton Investment Management Limited[3] (United Kingdom) and Templeton Global Advisors Limited[4] (The Bahamas) (*new*)

*[1] Each investment manager/sub-manager under the revised investment management structure currently acts as a discretionary investment manager or sub-manager of other existing funds that are authorized by the Securities and Futures Commission ("**SFC**"). SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

[2] Primarily regulated by the Ontario Securities Commission of Canada.

[3] Primarily regulated by the Financial Conduct Authority of the United Kingdom.

[4] Primarily regulated by the Bahamas Securities Board and registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940.

Franklin Templeton International Services S.à r.l., Franklin Templeton Investments Corp., Franklin Templeton Investment Management Limited and Templeton Global Advisors Limited are all wholly-owned subsidiaries of Franklin Resources, Inc.

Upon the coming into effect of the change set out above, the Management Company will delegate the discretionary investment management function of the Fund to the investment manager(s)/sub-manager(s), as listed in the column of the table above headed "Revised investment management structure".

Rest assured, the change listed above will have no impact on the investment objective and policy or the risk profile of the Fund, nor the operation and/or manner in which it is being managed. The investment team at Franklin Templeton has always managed assets based on a team approach and the Fund will continue to be managed according to the same principles.

* * * * * *

The change set out in this letter is not expected to give rise to any change in the fee level or fee structure of the Fund, or any additional costs and expenses for Shareholders of the Company (other than the cost of publishing this letter, which is estimated to be approximately HKD1,000 and which will be charged to the Fund). Any additional costs and expenses arising from the change will be borne by the Management Company.

The change set out in this letter is not expected to materially prejudice the rights or interests of Shareholders.

* * * * * *

The Management Company and the Board of Directors accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

An updated version of the Hong Kong offering documents of the Company will be available at the office of the Hong Kong Representative in due course. If you require further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
As Hong Kong Representative of the Company

Franklin Templeton Investments (Asia) Limited
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FRANKLIN TEMPLETON

This letter is important and requires your immediate attention.

If you are in doubt about the contents of this letter, you should seek independent professional advice.

Hong Kong, 15 January 2021

Dear Investor,

Franklin Templeton Investment Funds (the "Company")

- **Changes to the investment management structure and name of the Franklin European Small-Mid Cap Fund**

This letter is intended for investors who hold shares of the Company via an account with (i) Franklin Templeton Investments (Asia) Limited (the "**Hong Kong Representative**") or (ii) a duly authorized intermediary for the Hong Kong market (collectively, "**Investors**").

The purpose of this letter is to inform Investors of certain changes to the Franklin European Small-Mid Cap Fund (the "**Affected Fund**").

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum of the Company dated December 2019, as amended from time to time (the "**Explanatory Memorandum**").

Currently, the Management Company (Franklin Templeton International Services S.à r.l.) has delegated the portfolio management of the Affected Fund to Franklin Templeton Institutional, LLC, as listed in the column of the table below headed "Existing investment management structure". To reflect an internal reorganization of investment personnel responsible for the investment management of the Affected Fund, the investment management structure of the Affected Fund will be revised, such that Franklin Templeton Investment Management Limited will be appointed as the sole investment manager, in place of Franklin Templeton Institutional, LLC to perform the discretionary investment function for the Affected Fund with effect from 15 February 2021:

Affected Fund	Existing investment management structure	Revised investment management structure (with effect from 15 February 2021)
Franklin European Small-Mid Cap Fund	Investment Manager Franklin Templeton Institutional, LLC	Investment Manager[1] Franklin Templeton Investment Management Limited[2]

[1] *The investment manager under the revised investment management structure currently acts as a discretionary investment manager or sub-manager of other existing funds that are authorized by the Securities and Futures Commission ("**SFC**"). SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

[2] *Primarily regulated by the Financial Services Authority of the United Kingdom.*

Franklin Templeton International Services S.à r.l. and Franklin Templeton Investment Management Limited are both wholly-owned subsidiaries of Franklin Resources, Inc.

The Affected Fund will be renamed "Templeton European Small-Mid Cap Fund" to better align with the investment strategy and the new investment management team (i.e. Templeton Investment Team), to which Franklin Templeton Investment Management Limited belongs, with effect from 15 April 2021. No changes will take place with regards to the current investment strategy or investment allocation of the Affected Fund.

Rest assured, the changes listed above will have no impact on the investment objectives and policies or the risk profiles of the Affected Fund, nor the operation and/or manner in which it is being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the Affected Fund will continue to be managed according to the same principles. Hence, there will be no impact on the features of the Affected Fund.

* * * * * *

The changes set out in this letter will not give rise to any change in the fee level or fee structure of the Affected Fund, or any additional costs and expenses for the shareholders of the Affected Fund (other than the cost of publishing this letter, which is estimated to be approximately USD6,000 and which will be charged to the Affected Fund). Any additional costs and expenses arising from the change will be borne by the Management Company.

The changes set out in this letter are not expected to materially prejudice the rights or interests of shareholders of the Affected Fund.

* * * * * *

The Management Company and the Board of Directors accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

An updated version of the Hong Kong offering documents of the Company will be available at the office of the Hong Kong Representative in due course. If you require further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
As Hong Kong Representative of the Company

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IMPORTANT:

This Explanatory Memorandum has been written and authorised for distribution in the Hong Kong Special Administrative Region only. It does not constitute a distribution of information or an offer in any other jurisdiction. If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.

DEFINITIONS

"ABCP(s)"	asset backed commercial paper(s)
"Administrative Agent"	J.P. Morgan Bank Luxembourg S.A., to whom the Management Company has delegated some of the administrative agency services in relation to the Company
"Alternative Currency Class" or "alternative currency share class"	a share class denominated in a different currency from the base currency of the Fund
"Articles"	the articles of incorporation of the Company as amended from time to time
"AUD" or "Australian dollar"	the lawful currency of the Commonwealth of Australia
"Base Currency"	the currency of denomination of each Fund
"Board of Directors"	the board of directors of the Company
"Bond Connect"	a mutual market access scheme allowing overseas investors to trade in bonds circulated on the China Interbank Bond Market ("CIBM")
"Business Day"	any day other than Saturday on which banks in Hong Kong are open for normal banking business provided that where, as a result of a number 8 typhoon signal or higher or a black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day in Hong Kong unless the Hong Kong Representative otherwise determines (the Hong Kong Representative may without notice to investors and Shareholders determine that such day shall not be a Business Day in Hong Kong)
"CDSC"	contingent deferred sales charge
"Class"	a relevant class of Shares of a Fund
"Code on Unit Trusts and Mutual Funds"	a code for authorisation and maintenance filings of domestic and foreign funds in Hong Kong
"Company"	Franklin Templeton Investment Funds

"Data Protection Officer"	a person appointed by the Management Company as a data protection officer in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC
"Depositary"	J.P. Morgan Bank Luxembourg S.A., a Luxembourg-based bank, has been appointed by the Company as the Company's depositary bank
"Eligible State"	any member state of the EU, any member of the OECD, and any other state which the Board of Directors deems appropriate
"EU"	European Union
"EU Member States"	the member states of the EU. The states that are contracting parties to The Agreement creating the European Economic Area which entered into force on 1 January 1994 (other than the member states of the European Union), within the limits set forth by the aforementioned agreement and related acts, are considered as equivalent to member states of the EU.
"EUR", "EURO" or "Euro"	the lawful common currency of the European Monetary Union
"FATCA"	Foreign Account Tax Compliance Act
"Franklin Templeton"	Franklin Resources, Inc., a US company listed on the New York Stock Exchange and a constituent of the S&P 500 Index, and its subsidiaries worldwide
"Fund"	a sub-fund of the Company
"GBP" or "Sterling" or "UK Sterling"	the lawful currency of the United Kingdom
"Hedged Share Class"	a share class denominated in a different currency from the base currency of the Fund and in respect of which the Company may engage in currency hedging transactions
"HKD" or "Hong Kong dollar"	the lawful currency of Hong Kong

"Institutional Investor"	an institutional investor as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority within the meaning of article 174 of the Law of 17 December 2010. Please refer to "Share Classes" section for the list of qualifying Institutional Investors
"Intergovernmental Panel on Climate Change"	the United Nations body created to provide regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options
"Investment Manager"	an entity appointed by the Management Company and which provides day-to-day management in respect of the investment and re-investment of the assets of a Fund. Where the Management Company does not delegate its investment management functions for one or more Funds, as reflected in the "FUND INFORMATION, OBJECTIVES AND INVESTMENT POLICIES" section of the relevant Fund(s), references to the Investment Manager shall be construed as references to the Management Company (notably in relation to the fees to be levied by the Management Company for the performance of the investment management functions for the relevant Fund(s)).
"Japanese Yen"	the lawful currency of Japan
"Management Company"	Franklin Templeton International Services S.à r.l. or, where relevant, the members of the Management Company's board of managers
"Mark-to-Market"	the valuation of positions at readily available closing prices that are sourced independently, including exchange prices, screen price, or quotes from several independent reputable brokers
"Mark-to-Model"	any valuation which is benchmarked, extrapolated or otherwise calculated from one or more market inputs
"Money Market Fund"	any Fund qualifying as money market fund under the Money Market Fund Regulation
"Money Market Fund Regulation" or "MMFR"	the Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, as it may be amended or supplemented from time to time

"Money Market Instruments"	instruments as defined in Article 2(1) of the UCITS Directive and as referred to in Article 3 of Commission Directive 2007/16/EC
"Net Asset Value"	net asset value of a Fund or of a Share, as the context may require
"OECD"	Organization for Economic Co-operation and Development
"Paris Climate Agreement"	landmark environmental accord that was adopted by nearly every nation in 2015 to address climate change and its negative impacts. The deal aims to substantially reduce global greenhouse gas emissions in an effort to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, while pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels
"primarily" or "principally"	when a Fund's investment policy states that investments will be made "primarily" or "principally" in a particular type of security or in a particular country, region or industry, it generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant security, country, region or industry. In relation to Franklin NextStep Balanced Growth Fund, Franklin NextStep Dynamic Growth Fund and Franklin NextStep Stable Growth Fund, it generally means that at least two-thirds and less than 100% of the Fund's net assets shall be invested in collective investment schemes. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading
"Principal Distributor"	Franklin Templeton International Services S.à r.l.
"QFII"	Qualified Foreign Institutional Investor portfolio authorised by the China Securities Regulatory Commission of Mainland China to invest in the securities market of Mainland China

"Regulated Market"	a market within the meaning of point 21) of Article 4 of the Directive 2014/65/EC of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments or another regulated market, which operates regularly and is recognised and open to the public in an Eligible State
"Residual Maturity"	the length of time remaining (in days) until the legal maturity of a security or asset
"RMB" or "Renminbi"	the lawful currency of the People's Republic of China
"SFC"	Securities and Futures Commission of Hong Kong
"SGD" or "Singapore dollar"	the lawful currency of the Republic of Singapore
"Shares"	shares in one or more Funds of the Company
"Shareholder"	a holder of Shares
"Short-Term Variable Money Market Fund"	a Money Market Fund that (i) invest in Money Market Instruments referred to in Article 10 (1) of the MMFR, (ii) is subject to the portfolio rules set out in Article 24 of the MMFR and (iii) complies with the specific requirements laid down in Articles 29, 30 and 33 (1) of the MMFR
"SFDR"	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
"Sub-Manager"	an entity to which an Investment Manager has delegated, under its responsibility, all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the relevant Fund
"Third Country"	member countries of the Organisation of Economic Co-operation and Development ("OECD") that meet the credit quality criteria of the invesment policy of the Funds that qualify as Money Market Funds
"UCI" or "other UCI"	Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point a) and b) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended

"UCITS"	Undertaking for Collective Investment in Transferable Securities authorised according to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended
"UCITS Directive"	means Directive 2009/65/EC on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as amended by Directive 2014/91/EU
"US" or "USA"	United States of America
"USD" or "US dollar"	the lawful currency of the US
"US Person"	any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. 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
"Valuation Day"	any day on which the New York Stock Exchange is open or any full day on which banks in Luxembourg are open for normal business (other than during a suspension of normal dealing)
"Weighted Average Life"	the average length of time to legal maturity of all of the underlying assets in the Money Market Fund reflecting the relative holdings in each asset
"Weighted Average Maturity"	the average length of time to legal maturity or, if shorter, to the next interest rate reset to a money market rate, of all of the underlying assets in the Money Market Fund reflecting the relative holdings in each asset

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

INTRODUCTION

FRANKLIN TEMPLETON

Franklin Templeton has been investing globally for over 70 years and provides investment management and advisory services to a wide variety of mutual funds, institutes and private clients worldwide. Companies within Franklin Templeton are subsidiaries of Franklin Resources, Inc., a US company listed on the New York Stock Exchange and a constituent of the S&P 500 Index.

Franklin Resources, Inc. (operating worldwide as Franklin Templeton) is one of the largest independent publicly quoted investment managers in the world.

FRANKLIN TEMPLETON INVESTMENT FUNDS

Franklin Templeton Investment Funds, first established in November 1990, provide an opportunity for investors to access all areas of Franklin Templeton's expertise through a single investment vehicle, by taking advantage of the many attractive benefits of investing in an "umbrella fund". There is a wide choice of separate funds for investors to select within the umbrella fund.

Franklin Templeton Investment Funds is an open-ended Luxembourg domiciled investment company incorporated under the laws of the Grand-Duchy of Luxembourg as a société anonyme and qualifies as a société d'investissement à capital variable ("SICAV"), with registered address at 8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg. Each sub-fund of the Company is managed by Franklin Templeton's highly regarded investment team, which has brought superior investment experience to individuals, corporations and charitable organisations around the world. Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC, Franklin Templeton Investimentos (Brasil) Ltda., Franklin Templeton Investments Corp., Franklin Templeton Investment Management Limited, Franklin Templeton Investments (Asia) Limited, Franklin Templeton Investments (ME) Limited, Templeton Asset Management Ltd., Templeton Global Advisors Limited and Templeton Investment Counsel, LLC act as Investment Managers and/or Sub-Managers to the Funds and provide day-to-day management in respect of the investment and re-investment of the assets of the Funds.

AUTHORISATION AND REGISTRATION

The Company has been authorised by the SFC under the Hong Kong Securities and Futures Ordinance. The SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Company is not registered in the United States of America under the Investment Company Act of 1940. Shares in the Company have not been registered under the United States Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of residents thereof unless pursuant to an exemption from registration requirements

available under the US law, any applicable statute, rule or interpretation. US Persons are not eligible to invest in the Company. Prospective investors shall be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person. In the absence of written notice to the Company to the contrary, if a prospective investor provides a non-US address on the application form for investment in the Company, this will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until the Company is otherwise notified of a change in the investor's US Person status. The Company and the Management Company reserve the right to reject any application or ask for additional information and documentation, such as source of wealth, as may be required to comply with any applicable laws and regulations. Failure to provide documentation may result in delay in investment or the withholding of redemption proceeds.

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

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

OFFER OF SHARES

Shares issued after the date of this Explanatory Memorandum are offered only on the basis of the information contained herein, the most recent half-yearly report and/or the latest audited annual accounts of the Company. Neither the delivery of this Explanatory Memorandum nor the offering, issue or sale of Shares in one or more of the Funds of the Company shall under any circumstances constitute a representation that the information in this Explanatory Memorandum is correct as of any time subsequent to the date of this Explanatory Memorandum or such other relevant document.

Investors should recognise that:-

(a) the price of Shares in each Fund and the income from them may go down as well as up;

(b) the right of holders of Shares in any Fund to require the redemption or conversion of such Shares may, from time to time, be suspended in the circumstances and manner described herein; and

(c) the Company is not subject to the provisions of the Banking Ordinance or supervision by the Hong Kong Monetary Authority. Investment in Shares of any Fund is different

in nature to placing monies on deposit with a licensed bank or a deposit-taking company and the Company is under no obligation to redeem Shares in any Fund at the price at which they were issued.

Closure of Class B Shares to New and Further Subscriptions

Please note that with effect from 1 April 2016, Class B Shares of the Company have ceased to be available to new investors for subscription and existing shareholders of the Company would not be able to purchase Class B Shares for subsequent investment.

This arrangement will not affect the right of holders of Class B Shares to sell, transfer or switch their shares in accordance with the terms of this Explanatory Memorandum.

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The Management Company accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Franklin Templeton Investments (Asia) Limited
Hong Kong

April 2021

SUMMARY

CHOICE OF FUNDS

The Funds offer investors a wide choice of separate Funds, each with a different investment objective and level of risk, ranging from income to capital growth.

PURCHASES

Instructions to purchase the Funds should be given by 4:00 p.m. Hong Kong time on any Business Day in Hong Kong to ensure same day processing.

RESTRICTIONS ON SUBSCRIPTIONS, SWITCHES AND TRANSFERS INTO CERTAIN FUNDS OR SHARE CLASSES

A Fund, or share class, may be closed to new investors or to all new subscriptions or switches in (but not to redemptions, switches out or transfers) if, in the opinion of the Management Company, closing is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Fund has reached a size such that the capacity of the market and/or the capacity of the relevant Investment Manager has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Any Fund, or share class, may be closed to new investors or all new subscriptions or switches in without notice to Shareholders.

Notwithstanding the above, the Management Company may allow, at its discretion, the continuation of subscriptions from regular savings schemes on the basis that these types of flows present no challenge with respect to capacity. Once closed, a Fund or a share class will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. Shareholders and potential investors should contact the Hong Kong Representative for the current status of Funds or share classes.

Franklin Global Convertible Securities Fund ("Fund")

In order to protect the interest of existing investors, please note that with effect from 9 December 2020 (or such other date that the Hong Kong Representative may subsequently communicate) and until further notice, application for subscription and switching in the Fund from existing investors (including Regular Savings Plan investors) and new investors will not be accepted by the Hong Kong Representative. This arrangement will not affect the existing holding of existing investors of the Fund, and the right of redemption, switching out and transfer of the Fund remains unchanged.

MINIMUM INVESTMENT

The minimum initial investment in each Fund is USD1,000 and USD5,000,000 for Class I Shares (except for Class I Shares of the Franklin U.S. Government Fund which has a minimum initial investment of USD1,000,000). The minimum value of subsequent investments is USD500 (except for Class I Shares which are not subject to any minimum subsequent investments). There is also a Regular Savings Plan available (except for investment in Class I Shares for which no Regular Savings Plan is available) where monthly savings of USD100

(HKD1,000) or more per Fund may be added, if paid by bankers' order (or autopay for Hong Kong dollars). Certain intermediaries may impose higher minimum dealing amounts.

The minimum holding requirement in the Shares of each Fund is USD1,000 or currency equivalent.

HOW TO INVEST

First Application: Application forms with your payment details and a copy of your Hong Kong Identity Card should be returned to your bank, investment adviser or other intermediary.

Additional Investment: Simply complete and return an application form together with your payment.

Regular Savings Plan: You may also make regular investments of USD100 (HKD1,000) or more per Fund by monthly automatic transfer from your bank account to your Franklin Templeton Investment Funds account. Simply complete a separate Franklin Templeton Regular Savings Plan application form.

HOW TO MAKE PAYMENTS

Payments may be made by telegraphic transfer direct to the bank account of the Funds.

HOW TO SWITCH AMONG FRANKLIN TEMPLETON INVESTMENT FUNDS

Simply complete a switching form to switch between the Funds, which can **usually** be submitted to your bank, investment adviser or other intermediary on any Business Day in Hong Kong. There is a small charge for switching between Funds.

HOW TO TRANSFER SHARES

Simply complete a transfer form to transfer Shares between investors, which can **usually** be submitted to your bank, investment adviser or other intermediary on any Business Day in Hong Kong.

HOW TO REDEEM FRANKIN TEMPLETON INVESTMENT FUNDS

Redemption requests may be submitted to your bank, investment adviser or other intermediary on any Business Day in Hong Kong. Simply complete and return a redemption form with the appropriate redemption and payment details. Instructions to redeem the Funds should be given on or before 4:00 p.m. Hong Kong time on any Business Day in Hong Kong to ensure same day processing.

STATEMENTS

A statement to confirm full details of purchases, redemptions, switches and/or transfers will usually be issued and sent to you within two (2) Business Days in Hong Kong after the relevant dealing date. Further statements are also issued regularly to confirm transaction details on a cumulative year-to-date basis per Fund.

OTHER INFORMATION

Price and Account Balances: The latest Fund prices and your account balances are available from the Hong Kong Representative by telephone. Prices of the Funds are also published on every Business Day in Hong Kong on the Hong Kong Representative's website at *www.franklintempleton.com.hk*[*].

Investor Service & Information: Franklin Templeton Investments (Asia) Limited as Hong Kong Representative of the Funds is available to provide assistance to investors from 9:00 a.m. to 6:00 p.m. on Business Days in Hong Kong. Investors who wish to make an enquiry or complaint may contact the Hong Kong Representative as provided below or write to the Hong Kong Representative at its address provided in the section "ADMINISTRATIVE INFORMATION". The Hong Kong Representative may address any enquiry or complaint verbally or in writing, depending on the nature of such enquiry or complaint, and shall respond as appropriate as soon as reasonably practicable.

IMPORTANT NUMBERS

Investor Service & Information:	(852) 2877-7733
Fund Dealing Fax Number:	(852) 2877-7350
Investor Hotline:	(852) 2805-0111
Internet address:	*www.franklintempleton.com.hk*[*]

The Funds are distributed by a wide variety of investment and financial advisers, banks and other professional advisers. We recommend that investors should seek advice prior to making an investment in the Funds.

[*] The website has not been reviewed by the SFC.

FRANKLIN TEMPLETON INVESTMENT FUNDS

Franklin Templeton Investment Funds have a wide choice of separate portfolios (each a "Fund"), each of which relates to a separate portfolio of securities with specific investment objectives and policies.

Shares are offered in the following Funds and Classes:

Fund Name	Denomination	A (acc) Shares	A (Mdis) Shares	A (Mdis-pc) Shares	A (Qdis) Shares	A (Ydis) Shares	N (acc) Shares	N (Mdis) Shares	I (acc) Shares	Alternative Currency Share Class(es)
Franklin Biotechnology Discovery Fund	USD	✔								A (acc) HKD
Franklin Euro Government Bond Fund	EUR					✔				
Franklin Euro High Yield Fund	EUR		✔			✔				A (Mdis) USD-H1**
Franklin Global Convertible Securities Fund	USD	✔							✔	A (acc) EUR-H1** A(acc) EUR A (acc) HKD
Franklin Global Income Fund	USD	✔	✔							A (Mdis) HKD
Franklin Global Real Estate Fund*	USD	✔			✔					
Franklin Gold and Precious Metals Fund	USD	✔								A (acc) HKD
Franklin High Yield Fund	USD	✔	✔				✔		✔	A (Mdis) AUD-H1**
Franklin Income Fund	USD		✔				✔			A (Mdis) AUD-H1** A (Mdis) HKD
Franklin India Fund	USD	✔					✔		✔	A (acc) HKD
Franklin Innovation Fund	USD	✔							✔	
Franklin MENA Fund	USD	✔					✔		✔	A(acc) EUR
Franklin Mutual European Fund	EUR	✔							✔	A (acc) USD N (acc) USD A (acc) USD-H1**
Franklin Mutual Global Discovery Fund	USD	✔					✔		✔	
Franklin Mutual U.S. Value Fund	USD	✔					✔		✔	A(acc) EUR
Franklin Natural Resources Fund	USD	✔							✔	A(acc) EUR
Franklin NextStep Balanced Growth Fund***	USD	✔	✔							A (acc) HKD A (Mdis) HKD A (acc) SGD-H1** A (Mdis) SGD-H1**
Franklin NextStep Dynamic Growth Fund***	USD	✔	✔							A (acc) HKD A (Mdis) HKD A (acc) SGD-H1** A (Mdis) SGD-H1**
Franklin NextStep Stable Growth Fund***	USD	✔	✔							A (acc) HKD A (Mdis) HKD A (acc) SGD-H1** A (Mdis) SGD-H1**
Franklin Strategic Income Fund	USD	✔	✔							A (Mdis) AUD-H1** A (Mdis) EUR-H1**
Franklin Technology Fund	USD	✔								A (acc) HKD
Franklin U.S. Dollar Short-Term Money Market Fund	USD	✔	✔							
Franklin U.S. Government Fund	USD		✔				✔	✔	✔	A (acc) HKD A (Mdis) HKD
Franklin U.S. Opportunities Fund	USD	✔					✔			A (acc) HKD
Franklin World Perspectives Fund	USD	✔							✔	A (acc) EUR
Templeton Asian Bond Fund	USD	✔	✔				✔		✔	A (Mdis)EUR A (Mdis) AUD-H1**
Templeton Asian Growth Fund	USD	✔				✔	✔		✔	A (acc) EUR A (acc) HKD
Templeton Asian Smaller Companies Fund	USD	✔							✔	A (acc) EUR
Templeton BRIC Fund	USD	✔					✔		✔	A (acc) EUR A (acc) HKD
Templeton China Fund	USD	✔								A (acc) HKD
Templeton Eastern Europe Fund	EUR	✔					✔		✔	A (acc) USD
Templeton Emerging Markets Bond Fund	USD	✔	✔		✔				✔	A (Qdis) EUR A (Mdis) HKD A (Mdis) AUD-H1**
Templeton Emerging Markets Dynamic Income Fund	USD	✔	✔	✔	✔					A (Mdis) HKD A (Mdis-pc) HKD
Templeton Emerging Markets Fund	USD	✔				✔	✔		✔	A (acc) HKD

Fund Name	Denomination	A (acc) Shares	A (Mdis) Shares	A (Mdis-pc) Shares	A (Qdis) Shares	A (Ydis) Shares	N (acc) Shares	N (Mdis) Shares	I (acc) Shares	Alternative Currency Share Class(es)
Templeton Emerging Markets Smaller Companies Fund	USD	✔							✔	A (acc) EUR
Templeton Euroland Fund	EUR	✔								A (acc) USD A (Ydis) USD
Templeton European Dividend Fund	EUR	✔				✔				A (Mdis) USD A (Mdis) USD-H1**
Templeton European Small-Mid Cap Fund	EUR	✔								A (acc) USD
Templeton Frontier Markets Fund	USD	✔							✔	A (acc) EUR
Templeton Global Balanced Fund	USD	✔			✔					
Templeton Global Bond Fund	USD	✔	✔				✔		✔	A (Mdis) EUR A (acc) EUR-H1** A (acc) HKD A (Mdis) HKD A (Mdis) AUD-H1** A (Mdis) SGD-H1** A (Mdis) EUR-H1** A (Mdis) GBP-H1**
Templeton Global Climate Change Fund	EUR					✔				A (acc) USD-H1**
Templeton Global Equity Income Fund	USD	✔	✔							A (acc) EUR
Templeton Global Fund	USD	✔				✔	✔			A (acc) HKD
Templeton Global High Yield Fund	USD	✔	✔							A (Mdis) EUR
Templeton Global Income Fund	USD	✔			✔		✔		✔	A (acc) EUR A (Qdis) HKD
Templeton Global Smaller Companies Fund	USD	✔				✔	✔			
Templeton Global Total Return Fund	USD	✔	✔				✔		✔	A (acc) EUR A (Mdis) EUR A (acc) EUR-H1** A (acc) HKD A (Mdis) HKD A (Mdis) AUD-H1** A (Mdis) SGD-H1** A (Mdis) EUR-H1** A (Mdis) GBP-H1**
Templeton Global Total Return II Fund	USD	✔	✔							A (acc) HKD A (Mdis) AUD-H1** A (Mdis) EUR A (Mdis) EUR-H1** A (Mdis) GBP-H1** A (Mdis) HKD
Templeton Latin America Fund	USD	✔				✔	✔		✔	

** This Fund is authorised by the SFC under the Code on Unit Trusts and Mutual Funds but not the Code on Real Estate Investment Trusts. SFC authorization is not a recommendation or endorsement of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

*** "H1" refers to net-asset-value ("NAV") hedged share classes, which provide investors with hedged share classes that have their NAV in a currency different from the base currency of the relevant Fund.*

**** Shares of this Fund are exclusively offered to selected intermediaries by invitation only based on specific agreement with the Management Company or the Hong Kong Representative. Shares of this Fund are made available to investors subscribing into the Fund through such intermediaries only. Please contact the Hong Kong Representative for additional information.*

Alternative Currency Classes

Share classes may be offered in the following currencies:

- Australian dollar (AUD)
- Euro (EUR)
- Hong Kong dollar (HKD)
- Singapore dollar (SGD)
- US dollar (USD)
- UK Sterling (GBP)

or any other freely convertible currency.

Where the currency of denomination of a share class is different from the base currency of the Fund, such share class shall be referred to as an "alternative currency share class" and the currency in which the share class is denominated shall be referred to as an "alternative currency". The Net Asset Value of alternative currency share classes will be calculated and published in the alternative currency and purchase payments for such Classes are to be paid by the investors, and redemption proceeds are paid to selling investors, in such alternative currency, unless otherwise authorised under this Explanatory Memorandum and with the consent of investors, where appropriate. The Company does not currently intend to hedge the currency risks to which these Classes are exposed, except for Hedged Share Classes (as explained below).

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

The Board of Directors may decide to offer alternative currency share classes in a currency other than those mentioned above, in which case this Explanatory Memorandum will be updated.

Hedged Share Classes

The Company may engage in currency hedging transactions with regard to certain share classes (the "Hedged Share Classes"). Each Hedged Share Class will be denominated in an alternative currency, which may be hedged against the base currency of the Fund to reduce exchange rate fluctuations and to reduce return fluctuations. Hedged Share Class using this methodology will contain the abbreviation "H1" in their denomination.

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

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

An up-to-date list of the Classes utilising a currency overlay is available upon request from the Hong Kong Representative.

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

Shares in different Classes differ in the types of charges which apply to them. Further details of these Classes of Shares and the charges relating to them are set out in the section "CHARGES AND EXPENSES".

Before investing in a specific Class of any Fund, investors should ensure that such Class best suits their needs and should consider the local tax implications subject to their personal circumstances and local tax laws. Investors are recommended to contact a tax advisor or their financial advisor for further information.

FUND INFORMATION, OBJECTIVES AND INVESTMENT POLICIES

The Company aims to provide investors with a choice of funds investing in a wide range of transferable securities and other eligible assets on a worldwide basis and offering a variety of investment objectives including capital growth and income. The overall objective of the Company is to seek to minimise investment risk exposure through diversification and to provide investors with the benefit of a portfolio managed by entities of Franklin Templeton according to its successful time-tested investment selection methods.

A Fund shall be solely liable for its own assets and liabilities.

Within the limits of the Company's investment restrictions as more fully described in the section "INVESTMENT RESTRICTIONS", the Fund (except for Money Market Funds which are subject to specific restrictions detailed under the sub-section "5. Specific investment restrictions and portfolio rules for Money Market Funds") may invest in "when-issued" securities, lend their portfolio securities and borrow money.

Further, subject to the limits set forth in the investment restrictions, the Company may, with respect to each Fund, invest in the financial derivatives instruments listed in the section "INVESTMENT RESTRICTIONS" for the purpose of efficient portfolio management (except for Money Market Funds) or hedging.

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

To the extent permitted under applicable laws and regulations, the underlying to the financial derivative instruments used by the Funds for any purposes must only consist of eligible instruments, financial indices, interest rates, foreign exchange rates or currencies, in which the Funds may invest according to their specific investment objectives and policy and the investment restrictions applicable thereto.

For the avoidance of doubt, Money Market Funds can only invest in financial derivative instruments for hedging their interest rate or exchange rate risks.

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

When a Fund may invest in total return swaps or other financial derivative instruments with similar characteristics, the underlying assets and investment strategies to which exposure will be gained are described in the relevant Fund's investment policy.

The Management Company has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. The Management Company and/or Investment Manager(s) integrate sustainability risks and opportunities into their research, analysis and investment decision-making processes.

Sustainability risk, as further described in the "RISK CONSIDERATIONS" section, means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of a Fund's investment. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks.

Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. All Funds of the Company do currently integrate sustainability risk in their investment decision-making process. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/or portfolio composition. The Management Company and/or relevant Investment Managers make use of specific methodologies and databases into which environmental, social, and governance (ESG) data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the Management Company and/or the relevant Investment Manager/Investment Manager's models, there may be a sudden, material negative impact on the value of an investment, and hence on the Net Asset Value of the Fund. Except where sustainability risk is not deemed relevant for a particular Fund, in which case further explanation can be found in the Fund's specific section, such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the Net Asset Value of the Fund.

A Fund's net derivative exposure (calculated in accordance with the Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the SFC which may be updated from time to time) is as follows:

Fund Name	**Net Derivative Exposure (percentage of the Net Asset Value of the Fund)**
Franklin Biotechnology Discovery Fund	Up to 50%
Franklin Euro Government Bond Fund	Up to 50%
Franklin Euro High Yield Fund	Up to 50%
Franklin Global Convertible Securities Fund	Up to 50%
Franklin Global Income Fund	Up to 50%
Franklin Global Real Estate Fund	Up to 50%
Franklin Gold and Precious Metals Fund	Up to 50%
Franklin High Yield Fund	Up to 50%
Franklin Income Fund	Up to 50%
Franklin India Fund	Up to 50%

Fund Name	Net Derivative Exposure (percentage of the Net Asset Value of the Fund)
Franklin Innovation Fund	Up to 50%
Franklin MENA Fund	Up to 50%
Franklin Mutual European Fund	Up to 50%
Franklin Mutual Global Discovery Fund	Up to 50%
Franklin Mutual U.S. Value Fund	Up to 50%
Franklin Natural Resources Fund	Up to 50%
Franklin NextStep Balanced Growth Fund	Up to 50%
Franklin NextStep Dynamic Growth Fund	Up to 50%
Franklin NextStep Stable Growth Fund	Up to 50%
Franklin Strategic Income Fund	Up to 50%
Franklin Technology Fund	Up to 50%
Franklin U.S. Dollar Short-Term Money Market Fund	Up to 50%
Franklin U.S. Government Fund	Up to 50%
Franklin U.S. Opportunities Fund	Up to 50%
Franklin World Perspectives Fund	Up to 50%
Templeton Asian Bond Fund	Up to 50%
Templeton Asian Growth Fund	Up to 50%
Templeton Asian Smaller Companies Fund	Up to 50%
Templeton BRIC Fund	Up to 50%
Templeton China Fund	Up to 50%
Templeton Eastern Europe Fund	Up to 50%
Templeton Emerging Markets Bond Fund	Up to 50%
Templeton Emerging Markets Dynamic Income Fund	Up to 50%
Templeton Emerging Markets Fund	Up to 50%
Templeton Emerging Markets Smaller Companies Fund	Up to 50%
Templeton Euroland Fund	Up to 50%
Templeton European Dividend Fund	Up to 50%
Templeton European Small-Mid Cap Fund	Up to 50%
Templeton Frontier Markets Fund	Up to 50%
Templeton Global Balanced Fund	Up to 50%
Templeton Global Bond Fund	Up to 50%
Templeton Global Climate Change Fund	Up to 50%
Templeton Global Equity Income Fund	Up to 50%
Templeton Global Fund	Up to 50%
Templeton Global High Yield Fund	Up to 50%
Templeton Global Income Fund	Up to 50%
Templeton Global Smaller Companies Fund	Up to 50%
Templeton Global Total Return Fund	More than 50% but up to 100%
Templeton Global Total Return II Fund	Up to 50%
Templeton Latin America Fund	Up to 50%

(a) Financial derivative instruments may be used for investment purpose in respect of the following sub-funds:-

- Franklin Euro High Yield Fund
- Franklin Global Convertible Securities Fund
- Franklin Global Income Fund
- Franklin High Yield Fund
- Franklin Income Fund
- Franklin MENA Fund
- Franklin Mutual European Fund
- Franklin Mutual Global Discovery Fund
- Franklin Strategic Income Fund
- Templeton Asian Bond Fund
- Templeton Emerging Markets Bond Fund
- Templeton Emerging Markets Dynamic Income Fund
- Templeton Euroland Fund
- Templeton European Dividend Fund
- Templeton Global Bond Fund
- Templeton Global Climate Change Fund
- Templeton Global Equity Income Fund
- Templeton Global Fund
- Templeton Global High Yield Fund
- Templeton Global Income Fund
- Templeton Global Smaller Companies Fund
- Templeton Global Total Return Fund
- Templeton Global Total Return II Fund

(collectively, the "Relevant Funds")

(b)(i) The Relevant Funds may invest in financial derivative instruments for hedging purposes as well as investment purposes to manage the risks of the portfolio and gain exposure to certain asset classes, currencies, or position on the yield curve (long maturities vs. short maturities), or to exchange fixed rate obligations with floating rate obligations. The financial derivative instruments in which the Relevant Funds may invest include swaps (such as interest rate swaps, credit default swaps or total return swaps), futures contracts, and foreign currency forward contracts, including cross currency forwards where one currency is hedged into another through an intermediate third currency or where one currency is used as a proxy for hedging another currency (e.g. using the Canadian dollar as a proxy for the U.S. dollar).

(ii) The Relevant Funds' investments in financial derivative instruments are subject to a higher degree of risk, including counterparty risk, derivative instruments risk, liquidity risk, swap agreements risk and volatility risk which are more fully described in the section "RISK CONSIDERATIONS". With a small sum of money to purchase a derivative, the derivative instruments risk may relate to material market exposure, exposing the Relevant Funds to the potential for significant losses. The Relevant Funds do set aside cash or assets to meet future obligations related to derivatives.

(iii) The Relevant Funds use relative Value-at-Risk (VaR) approach to calculate the global exposure of the Relevant Funds. VaR is a measure of the maximum potential loss that

could arise over a given time interval under normal market conditions, and at a given confidence level. Under Luxembourg Law, absolute VaR limits are currently 20% of total net assets and relative VaR limits are currently twice or 200% of the benchmark VaR.

(iv) The expected level of leverage (based on the "sum of notionals" approach) for the Relevant Funds (as a percentage of the Net Asset Value of the Relevant Funds) are as follows:-

Fund Name	**Current expected level of leverage (based on "sum of notionals" approach)**
Franklin Strategic Income Fund	65%
Templeton Asian Bond Fund	200%
Templeton Emerging Markets Bond Fund	200%
Templeton Global Bond Fund	200%
Templeton Global High Yield Fund	120%
Templeton Global Income Fund	100%
Templeton Global Total Return Fund	200%
Templeton Global Total Return II Fund	200%

The current expected level of leverage (based on the "sum of notionals" approach) for the Relevant Funds is not regulatory limit for the Relevant Funds (as these Relevant Funds use relative VaR as their measure of global exposure) and should be used for indicative purposes only. The level of leverage in a Relevant Fund may be higher or lower than the expected level shown above at any time as long as the Relevant Fund remains in line with its risk profile and complies with its relative VaR limit. The level of leverage in a Relevant Fund is not expected to exceed the maximum level indicated above but investors should note that there is possibility of higher leverage levels in certain circumstances, such as when trades are put in reaction to sudden high market volatility (to mitigate risk).

The expected level of leverage based on the "sum of notionals" approach is measured as the sum of notionals of all financial derivative contracts entered into by the Relevant Fund expressed as a percentage of the relevant Relevant Fund's Net Asset Value. The leverage is a measure of the aggregate derivative usage and therefore does not take into account other physical assets directly held in the portfolio of the Relevant Fund.

The expected level of leverage is an estimate only and may be subject to higher leverage levels when cross currency positions or negative positions, which may be held to hedge against market risk or eliminate or reduce undesired investment risk in the portfolio, are a larger portion of the portfolios. The leverage calculation method used is the sum of notionals*.

**The level of leverage is measured as the sum of notionals of all financial derivative contracts entered into by the Relevant Fund expressed as a percentage of the Relevant Fund's Net Asset Value. This methodology does not:*

- *make a distinction between financial derivative instruments that are used for investment or hedging purposes;*

- *allow the netting of derivative positions;*

- *take into account the derivative underlying assets' volatility or make a distinction between short-dated & long-dated assets; or*

- *consider the delta for option contracts, so there is no adjustment for the likelihood that any option contract will be exercised.*

The annual report of the Company will provide the actual level of leverage based on the "sum of notionals" approach over the applicable period and additional explanations on this figure.

(c) Notwithstanding the enhanced disclosures in this section, the current extent to which the Funds may invest in financial derivative instruments for investment purposes, hedging purposes and/or efficient portfolio management purposes remains unchanged.

The Company will obtain prior approval from the SFC (if required) should the Board of Directors intend to expand the purpose or extent of use of financial derivative instruments for investment purposes in respect of the Fund(s).

The Board of Directors has the power to determine the corporate and investment policy for the investments relating to each Fund and the course of conduct of the management and business of the Company, provided however that the Company will comply with the investment restrictions shown below. All Funds have an investment policy that is flexible and adaptable, thus allowing them in appropriate circumstances, to use other types of securities should it be necessary. The specific investment objectives and policies and other information[1] of the different Funds are as follows:

FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

[1] The information contained in the "Investor's Profile" section is provided for reference only.
- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Investment Policy

The Fund invests principally in equity securities of biotechnology companies and discovery research firms located in the US and other countries and to a lesser extent in debt securities of any type of issuers worldwide.

For the Fund's investment purposes, a biotechnology company is one that has at least 50% of its earnings derived from biotechnology activities, or at least 50% of its assets devoted to such activities based on the company's most recent fiscal year. Biotechnology activities are research, development, manufacture, and distribution of various biotechnological or biomedical products, services and processes. This may include companies involved with genomics, genetic engineering, and gene therapy. It also includes companies involved in the application and development of biotechnology in areas such as health care, pharmaceuticals, and agriculture.

To the extent that the Fund invests in debt securities, it generally buys securities that are rated investment grade or unrated securities that it determines to be of comparable quality. Investment grade debt securities are rated in the top four ratings categories by independent rating organisations such as Standard & Poor's Corporation or Moody's Investors Service, Inc.

The Fund anticipates that under normal conditions, it will invest more of its assets in US securities than in those of any other single country although the Fund may have more than 50% of its total assets in non-US securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline, or other adverse conditions.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 22% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities; and
- seeking a growth investment in the biotechnology sector in the US and around the world; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Biotechnology, Communication and Technology Sectors risk
- Concentration risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN EURO GOVERNMENT BOND FUND

Asset Class
Fixed Income Fund

Base Currency
Euro (EUR)

Investment Objective
The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income and capital appreciation.

Investment Policy
The Fund principally invests in investment grade obligations of government and government-related issuers as well as supranational entities located throughout the European Monetary Union (Eurozone countries).

In addition, in accordance with the investment restrictions, the Fund may invest in debt obligations of government, supranational and government-related issuers worldwide (including non-investment grade securities) with a maximum 15% combined limit for investments in securities issued by (i) non-European Monetary Union issuers and (ii) issuers with ratings of BB+ or below and Ba1 or below. The Fund may, in addition, invest in credit-linked securities or other structured products (such as mortgage- and asset-backed securities, including collateralised debt obligations) that derive their value from an index, security or currency.

The Fund employs a proprietary environmental, social and governance (ESG) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to at least 90% of the Fund's portfolio.

In relation to government bond issuers, quasi-government issuers and government agencies, the Fund uses a combination of data inputs to determine 'climate transition performance' (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to direct emissions trajectory relative to peers, low carbon transition status, management of climate related risks, overall environmental score, energy resource management, management of environmental externalities and energy security risk.

The investment management team uses these inputs to determine the 'climate transition performance' for each issuer, and the Fund is prohibited from investing in those issuers that are seen to be the poorest performers in terms of this metric. This is a binding constraint, implemented using compliance restrictions on the issuers that are seen as laggards, as well as an ongoing process that includes a quarterly assessment for any changes in status. As a result, the Fund excludes from its portfolio issuers that score in the bottom 20% of its investable universe.

In addition, the Fund is not permitted to invest in sovereign bond issued by countries that have insufficient scoring according to the Freedom House Index, or those with an ESG rating of CCC according to MSCI.

The Fund may also utilise financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may be dealt on either (i) Regulated Markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate and related swaps and forwards.

Such debt obligations shall be denominated in or hedged to Euro.

If and for so long as the Fund accepts investments by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings (Versicherungsaufsichtsgesetz - VAG), the Fund will not invest in (i) debt securities that are rated below B minus by Standard & Poor's Corporation and/or Fitch Ratings Limited, or below B3 by Moody's Investors Service, Inc. If at any time the Fund's assets are no longer compliant with this rating requirement due to downgrade, they shall be sold, in the best interests of the Fund's Shareholders, within 6 months, however, should the downgraded securities represent less than 3% of the value of the Fund's total assets, they may be tolerated by the Investment Manager provided that the interests of the Fund's Shareholders are not impaired. If the relevant debt securities are unrated, they must be declared to be of comparable quality by the Investment Manager, and (ii) asset-backed securities rated below investment grade.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in non-investment grade securities are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors looking to:

- maximize total investment return consisting of interest income and capital appreciation by investing in debt securities of government and government-related issuers from member countries of the European Monetary Union; and
- invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Europe and Eurozone risk
- Liquidity risk
- Market risk
- Securitisation risk
- Valuation risk
- Volatility risk

Investment Manager(s)
Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

FRANKLIN EURO HIGH YIELD FUND

Asset Class
Fixed Income Fund

Base Currency
Euro (EUR)

Note: The name of the Fund reflects the base currency of the Fund being in Euro, and does not necessarily imply that any particular proportion of the Fund's net invested assets are made in Euro.

Investment Objectives
The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

Investment Policy
The Fund seeks to achieve these objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed income debt securities of European or non-European issuers. The Fund will have an allocation to fixed income securities of at least 75% of its

net assets. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt either on Regulated Markets or over-the-counter. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. The Fund principally invests in Euro-denominated or non-Euro denominated Euro-hedged, fixed income debt securities with non-investment grade ratings, or if unrated, their equivalent. The Investment Managers attempt to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily or on an ancillary basis, seek investment opportunities in any other types of Euro-denominated securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its assets in credit-linked securities, which the Investment Managers may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its total assets in securities in default.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in non-investment grade securities, financial derivative instruments and in securities in default are subject to a higher degree of risk as more fully described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking to earn a high level of income, and to a lesser extent, some capital appreciation in a Fund with the Euro as its base currency; and
- seeking investment primarily in Euro-denominated high-yielding fixed income securities; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Contingent Capital Securities risk
- Convertible Securities risk

- Class Hedging risk
- Concentration risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Europe and Eurozone risk
- Floating Rate Corporate Investment risk
- Foreign Currency risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Securitisation risk
- Swap Agreements risk
- Valuation risk
- Volatility risk
- Warrants risk

Investment Manager(s)
Franklin Templeton Investment Management Limited and Franklin Advisers, Inc.

FRANKLIN GLOBAL CONVERTIBLE SECURITIES FUND

Asset Class
Balanced Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximize total return, consistent with prudent investment management, by seeking to optimize capital appreciation and high current income under varying market conditions.

Investment Policy
The Fund seeks to achieve its investment objectives by investing primarily in convertible securities (including investment grade, non-investment grade, low-rated and unrated securities) of corporate issuers globally, and common stock received upon conversion of convertible securities. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including investment grade, non-investment grade, low-rated and unrated securities). The Fund may continue to hold securities subsequent to issuer default ("securities in default"). A convertible security is generally a debt security or preferred stock that may be converted within a specified period of time into common stock of the same or a different issuer. By investing in convertible securities, the Fund seeks the opportunity to

participate in the capital appreciation of underlying stocks, while at the same time relying on the fixed income aspect of the convertible securities to provide current income and reduced price volatility. The Fund may also utilize certain financial derivative instruments for currency hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either on Reegulated Markets or over-the-counter, and may include, inter alia, forwards and cross forwards as well as options. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund may also invest in securities or structured products (such as equity-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also invest up to 10% of its net assets in securities in default and up to 10% of its net assets in units of UCITS and other UCIs.

Additional Notes on the Investment Policy

The Investment Manager will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Fund may invest, or any person acting on behalf of the underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

In addition, the Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund may appeal to investors looking to:

- capital appreciation and current income by investing in convertible securities of corporate issuers around the world; and
- invest for the medium to long term.

Risks of Investing in the Fund

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

- Chinese Market risk
- Class Hedging risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Foreign Currency risk
- Liquidity risk
- Market risk

- Valuation risk
- Volatility risk
- Structured Notes risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN GLOBAL INCOME FUND

Asset Class
Balanced Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

Investment Policy
The Fund principally invests in a diversified portfolio of debt and listed equity securities worldwide, including those in emerging markets. The Fund's expected investments in each of the debt and listed equities securities are up to 70% of its net assets. The Fund may shift its investments from one asset class to another based on the Investment Manager's analysis of the best opportunities in a given market or sector taking into account both bottom-up fundamental security analysis and top-down considerations such as interest rates, inflation, commodity prices, credit cycle and other macro-economic factors. The Investment Manager searches for undervalued or out-of-favour securities it believes offer opportunities for income today and significant growth tomorrow. It performs independent analysis of the securities being considered for the Fund's portfolio, rather than relying principally on the ratings assigned by rating agencies. In its analysis, the Investment Manager considers a variety of factors, including:

- the experience and managerial strength of the company;
- responsiveness to changes in interests and business conditions;
- debt maturity schedules and borrowing requirements;
- the company's price/earnings ratio, profit margins and liquidation value;
- the company's changing financial condition and market recognition of the change; and
- a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects.

The Fund seeks income by selecting investments such as corporate, US Treasury and non-US government bonds, stocks with attractive dividend yields, as well as structured notes linked to individual securities or indexes. When investing in equity securities, the Investment Manager generally focuses on dividend paying stocks and equity linked notes that are structured to receive periodic coupons, both of which contribute to the Fund's income generation goal.

Equity securities generally entitle the holder to participate in a company's general operating results. In its search for growth opportunities, the Fund invests in common stocks of companies

from a variety of industries such as utilities, oil, gas, real estate and consumer goods, but from time to time, based on economic conditions, the Fund may have significant investments in particular sectors. Equity securities also include preferred stocks, REITs, equity-linked notes and equity securities resulting from the conversion of debt securities.

Debt securities represent an obligation of the issuer to repay a loan of money, and generally provide for the payment of interest. These include long and short-term, fixed and floating rate debt securities, secured and unsecured bonds, mortgage and other asset-backed securities, bonds convertible into common stock, notes and debentures. Mortgage and other asset-backed securities (including collateralised mortgage obligations as well as residential and commercial mortgage-backed securities) are limited to 10% of the Fund's net assets.

The Fund may invest up to 100% of its net assets in below investment grade[2] debt securities (also known as "junk bonds").

The Fund's expected investment in structured notes linked to individual securities or indexes is below 30% of its net assets.

The Fund may also invest up to 20% of its net assets in distressed debt securities (i.e. (i) which are rated CCC or below by at least two internationally recognized credit rating agencies, or if unrated[3] their equivalent, i.e. securities which are determined to be of comparable quality by the Investment Manager, and (ii) with a credit spread above 1,000 bps). For the purpose of the Fund's investment policy, distressed securities should be construed as (i) including defaulting debt securities and (ii) securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. Investments in defaulted debt securities would not exceed 10% of the Fund's net assets.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible debt securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments could include but are not limited to swaps (such as total return swaps on fixed income, equity and equity-related securities and indices of the same, credit default swaps and interest rate swaps), forwards, futures contracts as well as options. In this context, the Fund may seek exposure to, inter alia, commodities, financial indices and other eligible instruments through the use of financial derivative instruments, cash-settled structured products (including participatory notes) or fixed income securities where the security is linked to or derives its value from another reference asset. Structured products such as participatory notes may embed derivatives or have features similar to those of a financial derivative instrument. Where this is the case they will be treated as financial derivative instruments.

[2] "Below investment grade" is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.
[3] For the purpose of the Fund, "unrated" refers to where neither the instrument itself nor its issuer has a credit rating.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs (including ETFs).

The Fund is not intended to invest more than 10% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer which is below investment grade[4].

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

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

The Investment Manager may take a temporary defensive position when it believes the markets or the economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may be unable to pursue its investment objective. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills, with due regard to the principle of risk spreading.

Exposure to total return swaps
The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10% of the Fund's net assets.

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund may appeal to investors looking:

- high level of income and prospects of some capital appreciation by accessing a portfolio of both equity and fixed income securities worldwide via a single fund; and
- invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Asset Allocation risk

[4] "Below investment grade" is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

- Concentration risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- General Investment risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Real Assets risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN GLOBAL REAL ESTATE FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximise total investment return consisting of income and capital appreciation.

Investment Policy
The Investment Manager seeks to achieve its investment objective by investing in real estate investment trusts ("Real Estate Investment Trusts" or "REITs") and other real estate and real estate-related companies (including small to mid-sized companies) whose principal business is financing, dealing, holding, developing and managing real estate and which are located around the world, including emerging markets. "REITs" are companies the shares of which are listed on a stock exchange, which invest a significant portion of their net assets directly in real estate and which profit from a special and favourable tax regime. These investments of the Fund shall qualify as transferable securities. The Fund seeks to invest in companies across a wide range of real estate sectors and countries.

The Fund may also utilise various financial derivative instruments for currency hedging and efficient portfolio management (such as but not limited to currency forwards and cross forwards, interest rate futures and swaps as well as options).

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investment in REITs are subject to specific risks as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking dividend income and capital appreciation by investing in companies across a wide range of real estate sectors and countries; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Real Assets risk
- Securities Lending risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Franklin Templeton Institutional, LLC

FRANKLIN GOLD AND PRECIOUS METALS FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is capital appreciation. Its secondary objective is income.

Investment Policy
Under normal market conditions, the Fund invests principally (at least two-thirds of) its net assets in securities issued by gold and precious metals operation companies. Gold and precious metals operation companies include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum and palladium, including mining finance and exploration companies as well as operating companies with long-, medium-, or short-life mines.

The Fund principally invests (at least two-thirds of its net assets) in equity and equity-related securities such as common stocks, preferred stocks, warrants and convertible securities issued by gold and precious metals operation companies located anywhere in the world and across the entire market capitalization spectrum, including small-cap and medium-cap companies, as well as in American, Global and European Depositary Receipts.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in the gold and precious metals sector are subject to specific risks. Investments in emerging market countries are subject to a higher degree of risk. These risks are described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing primarily in securities of gold and precious metals operation companies located anywhere in the world; and
- planning to hold their investment for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Commodities Related Exposure risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Depositary Receipts risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Gold and Precious Metals Sector risk
- Liquidity risk
- Market risk
- Natural Resources Sector risk
- Preferred Securities risk
- Securities Lending risk
- Smaller and Midsize Companies risk
- Warrants risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN HIGH YIELD FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objectives
The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

Investment Policy
The Fund seeks to achieve these objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed-income debt securities of US or non-US issuers. The Fund will have an allocation to fixed income securities of at least 75% of its net assets. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt either on Regulated

Markets or over-the-counter. The Fund normally invests in fixed-income debt securities with any credit rating, if issued by US issuers, or, if issued by non-US issuers or unrated, their equivalent. The Investment Manager attempts to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily or on an ancillary basis, seek investment opportunities in any other types of securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its assets in credit-linked securities, which the Investment Manager may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its total assets in securities in default.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in non-investment grade securities and in securities in default are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking to earn a high level of income, and to a lesser extent, some capital appreciation; and
- seeking investment primarily in high-yielding fixed income securities of US and non US issuers; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Class Hedging risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk

- Dividend Policy risk
- Europe and Eurozone risk
- Floating Rate Corporate Investment risk
- Foreign Currency risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Swap Agreements risk
- Valuation risk
- Volatility risk
- Warrants risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN INCOME FUND

Asset Class
Balanced Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

Investment Policy
The Fund invests in a diversified portfolio of transferable securities consisting of equity securities and long and short-term debt securities. Equity securities generally entitle the holder to participate in a company's general operating results. These include common stocks, preferred stocks, convertible securities and equity-linked notes. Debt securities represent an obligation of the issuer to repay a loan of money to it, and generally provide for the payment of interest. These include bonds, notes and debentures.

In its search for growth opportunities, the Fund invests in common stocks of companies from a variety of industries such as utilities, oil, gas, real estate and consumer goods. The Fund seeks income by selecting investments such as corporate, foreign and US Treasury bonds, as well as stocks with attractive dividend yields. The Fund may invest in debt securities that are rated below investment grade. Investment grade debt securities are rated in the top four ratings categories by independent rating organizations such as Standard & Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's"). The Fund generally invests in securities rated at least CAA by Moody's or CCC by S&P or unrated securities that the Investment Manager determines are of comparable quality. Generally, lower rated securities offer higher yields than more highly rated securities to compensate investors for the higher risk. Further information is contained in the section "RISK CONSIDERATIONS".

The Fund may invest up to 25% of its net invested assets in non-US securities. It ordinarily buys non-U.S. securities that are traded in the US or American Depository Receipts, which are certificates typically issued by a bank or trust company that give their holders the right to receive securities issued by a US or a non-US company.

The Investment Manager searches for undervalued or out-of-favour securities it believes offer opportunities for income today and significant growth tomorrow. It performs independent analysis of the securities being considered for the Fund's portfolio, rather than relying principally on the ratings assigned by rating agencies. In its analysis, the Investment Manager considers a variety of factors, including:

- the experience and managerial strength of the company;
- responsiveness to changes in interests and business conditions;
- debt maturity schedules and borrowing requirements;
- the company's changing financial condition and market recognition of the change; and
- a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects.

The Fund may use financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, *inter alia*, swaps (such as fixed income related and equity related total return swaps), forwards, futures contracts as well as options. In this context, the Fund may seek exposure to, *inter alia*, commodities or exchange-traded funds (ETFs) through the use of financial derivative instruments, cash-settled structured products or fixed income securities where the security is linked to or derives its value from another reference asset.

The Investment Manager may take a temporary defensive position when it believes the markets or the economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may be unable to pursue its investment objective.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking a high level of income and prospects of some capital appreciation; and
- seeking to access a portfolio of both equity and fixed income securities via a single fund; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Class Hedging risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Preferred Securities risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Securities Lending risk
- Securitisation risk
- Structured Notes risk
- Valuation risk
- Volatility risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN INDIA FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests principally in equity securities including common stock, preferred stock and convertible securities, as well as in warrants, participatory notes, and depository receipts of (i) companies registered in India, (ii) companies which perform a predominant part of their business in India, and (iii) holding companies which hold a predominant part of their participations in companies referred to in (i) and (ii), all of them across the entire market capitalisation spectrum from small-to large-cap companies.

In addition, the Fund may seek investment opportunities in fixed income securities issued by any of the above-mentioned entities as well as Money Market Instruments.

Investment in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities of companies located in India; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Depositary Receipts risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Growth Stocks risk

- Liquidity risk
- Market risk
- Participatory Notes risk
- Preferred Securities risk
- Smaller and Midsize Companies risk
- Warrants risk

Investment Manager(s)
Templeton Asset Management Ltd.

FRANKLIN INNOVATION FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests principally in equity and equity-related securities of companies that are leaders in innovation (e.g. applying novel solutions to potentially huge addressable markets), take advantage of new technologies (especially in e-commerce, genetics medicine, robotics, financial transactions, and data delivery and storage), have superior management (e.g. that with the vision to identify market needs that have yet to be fully expressed) and benefit from new industry conditions (e.g. secular changes in the way people communicate, shop and pay for goods and services, cure themselves, and spend their leisure time) in the dynamically changing global economy. Equity and equity-related securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities. Investments in convertible securities will not exceed 10% of the Fund's total net assets. The Fund can invest in companies located anywhere in the world, but may have a substantial part of its portfolio invested in companies located or traded in the US, as well as in foreign securities that are traded in the US and American Depository Receipts.

The Fund invests in companies in any economic sector and of any market capitalisation. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research to seek companies meeting its criteria of sustainable growth driven by innovation. Although the Investment Manager searches for investments across a large number of sectors, the Fund may have significant positions in particular sectors such as, for example, information technology (including software and internet), communications services and health care (including biotechnology). In the event of market appreciation, the Fund's investment in a given sector or industry may represent a significant portion of the Fund's portfolio.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 100% of the Fund's assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include short-term US government securities,

high-grade commercial paper, bank obligations, Money Market Fund shares (including shares of an affiliated Money Market Fund) and other Money Market Instruments. "High-grade" refers to those investments that are rated above investment grade by internationally recognized credit agencies e.g. Standard & Poor's, Moody's, Fitch. The Fund may also invest up to 5% of its net assets in units of UCI such as UCITS, Exchange Traded Funds as well as other UCIs.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund may appeal to investors looking:

- achieve capital appreciation by investing in equity securities of companies whose growth prospects are poised to benefit from dynamic technology and innovation; and
- invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- American Depository Receipts risk
- Biotechnology, Communication and Technology Sectors risk
- Concentration risk
- Counterparty risk
- Dividend Policy risk
- Equity risk
- Foreign Currency risk
- General Investment risk
- Geographical Concentration risk
- Growth Stocks risk
- Market risk
- Securities Lending risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN MENA FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to provide long-term capital appreciation.

Investment Policy
The Fund invests primarily in transferable securities such as equity securities of companies (i) incorporated in the Middle East and North Africa countries ("MENA countries") including, but not limited to the Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan and Morocco, or (ii) which have their principal business activities in MENA countries across the entire market capitalisation spectrum (including small to mid-sized companies) as well as in financial derivative instruments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts and equity linked notes (including participatory notes) dealt on either Regulated Markets or over-the-counter.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may invest in other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

Investments in emerging market countries and financial derivative instruments and in securities in default are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in equity securities of companies in the Middle East and North African region; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk

- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Franklin Templeton Investments (ME) Limited

FRANKLIN MUTUAL EUROPEAN FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objectives
The Fund's principal investment objective is capital appreciation, which may occasionally be short-term. Its secondary objective is income.

Investment Policy
The Fund principally invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stock of companies incorporated or having their principal activities in European countries that the investment manager believes are available at prices less than their actual value based on certain recognised or objective criteria (intrinsic value). These include common stocks, preferred stocks and convertible securities. The Fund invests predominantly its total net invested assets (being the Fund's assets less any cash or cash equivalents) in the securities of issuers organised under the laws of or whose principal business operations are located in European countries. For purposes of the Fund's investments, European countries means all of the countries that are members of the European Union, Eastern and Western Europe and those regions of Russia and the former Soviet Union that are considered part of Europe. The Fund currently intends to invest principally in securities of issuers in Western Europe. The Fund normally invests in securities from at least five different countries, although, from time to time, it may invest all of its assets in a single country. The Fund may invest up to 10% of its total net invested assets in securities of non-European issuers.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganization or financial restructuring.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions

The expected level of exposure that cound be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking capital appreciation, which may occasionally be short term and to a lesser extent, income; and
- seeking investment in undervalued companies of any European country; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Chinese Market risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Distressed Securities risk

- Dividend Policy risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Preferred Securities risk
- Restructuring Companies risk
- Russian and Eastern European Markets risk
- Securities Lending risk
- Valuation risk
- Volatility risk
- Swap Agreements risk

Investment Manager(s)
Franklin Mutual Advisers, LLC

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund pursues its objective principally through investments in common stock, preferred stock and debt securities convertible or expected to be convertible into common or preferred stock of companies of any nation as well as in sovereign debts and participations in foreign government debts that the Investment Manager believes are available at market prices less than their value based on certain recognised or objective criteria (intrinsic value). The Fund primarily invests in mid- and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars.

The Fund may also seek to 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. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility, a prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking capital appreciation by investing in undervalued companies worldwide; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Chinese Market risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Preferred Securities risk
- Restructuring Companies risk
- Securities Lending risk

- Swap Agreements risk
- Valuation risk
- Volatility risk

Investment Manager(s)
Franklin Mutual Advisers, LLC

FRANKLIN MUTUAL U.S. VALUE FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objectives
The Fund's primary investment objective is capital appreciation. A secondary objective is income.

Investment Policy
The Fund pursues its objectives principally through investments in common stock, preferred stock, and debt securities convertible or expected to be convertible into common or preferred stock of US companies. At least 70% of the Fund's net assets will be invested in securities of US issuers. The opinions of the Investment Manager are based upon analysis and research, taking into account, among other factors, the relationship of book value (after taking into account accounting differences among countries) to market value, cash flow, multiple of earnings of comparable securities, creditworthiness of issuers, as well as the value of collateral securing a debt obligation, with the objective of purchasing equity and debt securities at below their intrinsic value.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring, including low-rated and non-investment grade securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may utilise financial derivative instruments for hedging and efficient portfolio management purposes. These financial derivative instruments may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation and to a lesser extent income by investing in undervalued companies based primarily in the US; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Securities Lending risk
- Valuation risk
- Volatility risk
- Swap Agreements risk

Investment Manager(s)
Franklin Mutual Advisers, LLC

FRANKLIN NATURAL RESOURCES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation and current income.

Investment Policy
The Fund invests primarily in equity securities as well as depositary receipts of (i) companies which perform a substantial part of their business in the natural resources sector, and (ii) companies which hold a substantial part of their participations in companies referred to in (i), including small and mid-size companies. For the Fund's investment purpose, the natural resources sector includes companies that own, produce, refine, process, transport and market natural resources and companies that provide related services. This sector may include, for example, the following industries: integrated oil, oil and gas exploration and production, energy services and technology, alternative energy sources and environmental services, forest products, farming products, paper products and chemical. On an ancillary basis, the Fund may also invest in equity or debt securities of any type of US or non-US issuer. The Fund expects to invest its assets more in US securities than in securities of any other single country (including emerging market countries).

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging market countries, in the natural resources sector and in Small-Sized Companies are subject to a higher degree of risk as more fully described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking high total return in US dollar by investing in equity and debt securities in natural resources sector; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Commodities Related Exposure risk
- Concentration risk
- Counterparty risk
- Depositary Receipts risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Natural Resources Sector risk
- Securities Lending risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN NEXTSTEP BALANCED GROWTH FUND

Asset Class
Multi-Asset Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

Investment Policy
The Fund intends to achieve its objective by investing its net assets principally in units of Undertakings for Collective Investment in Transferable Securities ("UCITS") and other open and closed-end Undertakings for Collective Investment ("UCIs")[5] (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating

[5] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.

below investment grade at the time of purchase) of issuers located anywhere in the world, including Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[6]

Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 45% to 65% for equities (including global equities, Asian equities, emerging market equities, European equities and US equities) and equity-related securities globally, 35% to 55% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities), and 0% to 10% for alternative strategies including REITs. These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may invest in Underlying Funds that are authorised by the SFC or in eligible schemes as permitted by the SFC from time to time, currently including UCITS schemes domiciled in Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Additional Notes on the Investment Policy

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund may appeal to investors seeking:

- a high level of long-term total return that is consistent with a moderate level of risk; and
- to invest for the medium to long term.

[6] Any expansion in the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the SFC's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Asset Allocation risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk
- Underlying Investment Funds risk
- Valuation risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Franklin Advisers, Inc.

FRANKLIN NEXTSTEP DYNAMIC GROWTH FUND

Asset Class
Multi-Asset Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

Investment Policy
The Fund intends to achieve its objective by investing its net assets principally in units of Undertakings for Collective Investment in Transferable Securities ("UCITS") and other open

and closed-end Undertakings for Collective Investment ("UCIs")[7] (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[8]

Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 60% to 80% for equities (including global equities, Asian equities, emerging market equities, European equities and US equities) and equity-related securities globally, 20% to 40% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities), and 0% to 10% for alternative strategies including REITs. These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may invest in Underlying Funds that are authorised by the SFC or in eligible schemes as permitted by the SFC from time to time, currently including UCITS schemes domiciled in Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Additional Notes on the Investment Policy

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

[7] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.

[8] Any expansion in the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the SFC's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

Investor's Profile
The Fund may appeal to investors seeking:
- a high level of long-term total return that is consistent with a higher level of risk; and
- to invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Asset Allocation risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk
- Underlying Investment Funds risk
- Valuation risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Franklin Advisers, Inc.

FRANKLIN NEXTSTEP STABLE GROWTH FUND

Asset Class
Multi-Asset Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income.

Investment Policy

The Fund intends to achieve its objective by investing its net assets principally in units of Undertakings for Collective Investment in Transferable Securities ("UCITS") and other open and closed-end Undertakings for Collective Investment ("UCIs")[9] (including exchange traded funds), managed by Franklin Templeton entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[10]

Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 10% to 30% for equities (including global equities, Asian equities, emerging market equities, European equities and US equities) and equity-related securities globally and 70% to 90% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views.

The Fund may invest in Underlying Funds that are authorised by the SFC or in eligible schemes as permitted by the SFC from time to time, currently including UCITS schemes domiciled in Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom.

The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Additional Notes on the Investment Policy

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

[9] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.
[10] Any expansion in the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the SFC's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund may appeal to investors seeking:

- a high level of long-term total return that is consistent with a low to moderate level of risk; and
- to invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Asset Allocation risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Smaller and Midsize Companies risk
- Underlying Investment Funds risk
- Valuation risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Franklin Advisers, Inc.

FRANKLIN STRATEGIC INCOME FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objectives
The Fund's primary investment objective is to earn a high level of current income. As a secondary investment objective, the Fund seeks capital appreciation over the long term.[11]

Investment Policy
The Fund invests principally in debt securities globally, including those in emerging markets. The Fund will have an allocation to fixed income securities of at least 75% of its net assets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, including bank loans (through regulated investment funds and financial derivative instruments)[12], bonds, mortgage and other asset-backed securities (including collateralised debt obligations and mortgage dollar roll transactions[13]) and convertible securities. The Fund may invest up to 100% of its net assets in low-rated, unrated and non-investment grade debt securities of issuers worldwide[14] and up to 100% of its net assets in securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. In order to seek to achieve its objective, the Fund may use various financial derivative instruments for hedging, efficient portfolio management and investment purposes[15], subject to the investment restrictions more fully described in the section headed "INVESTMENT RESTRICTIONS".[16] These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards (either of which may result in negative currency exposures), futures contracts (including those on government securities), as well as options. Examples of the Fund's use of financial derivative instruments for investment purposes, which may be uncorrelated to the underlying assets of the Fund, include taking active currency positions (such as long/short positions) via forwards and cross forwards, taking active credit positions via credit default swaps and taking active interest rate positions via fixed income related total return swaps. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs, up to 10% of its net assets in credit-linked securities and up to 10% of its net assets in securities in default. The Fund may invest up to 10% of its net assets in Mainland China through the Bond Connect or directly (also

[11] The Fund primarily focuses on earning a high level of current income. This may diminish its ability to achieve sustainable capital growth. Investors should be aware that capital appreciation is a secondary objective.
[12] The Fund may be exposed to bank loans indirectly through its investments in regulated investment funds and/or financial derivative instruments.
[13] In a mortgage dollar roll transaction, the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date.
[14] The Fund does not intend to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.
[15] "Investment purposes" means taking an active position in financial derivative instruments which may be uncorrelated to the underlying assets of the Fund.
[16] The Investment Manager may use derivatives to efficiently manage the risk associated with the Fund's strategy, seeking to capture the positive returns associated with debt securities, and reducing the impact a change of interest rates will have on the Fund's holding of debt securities. Currently, no specific strategy is being employed in relation to the use of derivatives to achieve these objectives.

referred to as CIBM direct). The Fund may also temporarily or on an ancillary basis[17], seek investment opportunities in other types of transferable securities such as preferred stock, common stock and other equity-linked securities, and warrants.

The Fund may distribute income gross of expenses.

Additional Notes on the Investment Policy
The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Exposure to total return swaps
The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 15% of the Fund's net assets, subject to a maximum of 40%.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund may appeal to investors looking for/to:

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

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Europe and Eurozone risk
- Foreign Currency risk
- Investment Objectives risk
- Liquidity risk
- Loan Credit Derivatives risk
- Market risk
- Restructuring Companies risk
- Securitisation risk

[17] "Ancillary basis" generally means up to 10% of the Fund's net assets.

- Swap Agreements risk
- Valuation risk
- Volatility risk
- Warrants risk

Level of Leverage
The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 65%[18]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark of the following Bloomberg Barclays Index components: US High Yield (10%), US Mortgage-Backed (10%), US Government (10%), US Credit (Corporates) (10%), US Commercial Mortgage-Backed (5%), Global Treasury ex-US (10%), US Dollar Emerging Markets Sovereign (10%), Emerging Market Local Currency Government (10%) and Global High Yield (25%).

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN TECHNOLOGY FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests at least two thirds of its total invested assets in equity securities of US and non US companies expected to benefit from the development, advancement, and use of technology and communication services and equipment. These may include, for example, companies in the following industries:

- communication and computing related outsourcing services;
- technology services, including computer software, data services, and internet services;
- electronic technology, including computers, computer products, and electronic components;
- telecommunications, including networking, wireless, and wire-line services and equipment;
- media and information services, including the distribution of information and content providers;
- semiconductors and semiconductor equipment; and
- precision instruments.

[18] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

The Fund invests in securities of US and non US large, well-established companies, as well as small to medium-sized companies, including those in emerging markets, that the Investment Manager believes provide good emerging growth opportunities.

The Fund may also invest in equity or debt securities of any type of foreign or US issuer as well as in American, European or Global Depositary Receipts.

The Fund uses a growth approach that employs intensive, bottom-up, fundamental research of companies. The Investment Manager also takes into consideration broad-based trends when considering the selection of investments. In general, the Investment Manager looks for companies it believes display, or will display, some of the following characteristics, among others: quality management; robust growth prospects; strong market positioning; high, or rising profit margins; and good return on capital investment.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investment in the telecommunication and technology sector and in emerging markets are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities; and
- seeking a growth investment in the technology sector in the US and around the world; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Biotechnology, Communication and Technology Sectors risk
- Chinese Market risk
- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk

- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN U.S. DOLLAR SHORT-TERM MONEY MARKET FUND

Asset Class
Money Market Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maintain a high degree of capital preservation and liquidity while maximising returns in the US dollar.

Investment Policy
The Fund seeks to achieve its objective by investing in a portfolio of high-quality USD-denominated debt and debt-related Money Market Instruments.

The Fund invests principally in high-quality Money Market Instruments, which consist primarily of short-term fixed and floating-rate debt securities, commercial papers, floating-rate notes and certificates of deposit of credit institutions, which shall all comply with MMFR. The Fund may also, to a lesser extent, invest in eligible securitisation and asset-backed commercial paper ("ABCP") as well as deposits and cash denominated in US dollar.

These investments shall be denominated in US dollar and up to 100% may be issued or guaranteed by sovereign governments of member states of the OECD, supranational entities, including most prominently instruments issued or guaranteed by the United States Government and its agencies and related entities, including but not limited to, the United States Treasury, the U.S. Federal Reserve, the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks (FHLB), and supranational organisations that the United States and at least one EU Member State participates in, including but not limited to the International Bank for Reconstruction and Development (IBRD or World Bank), the International Finance Corporation (IFC), and the Inter-American Development Bank (IADB).

In addition to receiving a favourable assessment of their credit quality pursuant to the Management Company's internal credit quality assessment procedure, all investments at the time of purchase shall have a minimum long-term rating of A or better by Standard & Poor's Corporation ("S&P") or A2 or better by Moody's Investors Service, Inc. ("Moody's") or similar rating by any other internationally recognised statistical rating organisation,

corresponding to a short-term rating of A-1 by S&P /P-1 by Moody's or equivalent or, if unrated, be declared to be of comparable quality by the Investment Manager.

The Fund will maintain a Weighted Average Maturity not exceeding 60 days. The Fund only holds securities which at the time of acquisition have an initial or residual maturity not exceeding 397 days.

The Fund may also invest in repurchase and reverse repurchase agreements within the limits described below, as well as less than 10% of the Fund's net assets in units or shares of any other short-term Money Market Fund.

The Fund may use financial derivative instruments only for the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the Fund.

Important Note
Purchase of a Share in this Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Management Company has no obligation to redeem Shares at the offer value. This Fund is not subject to the supervision of the Hong Kong Monetary Authority.

Exposure to repurchase agreements
The expected level of exposure that could be subject to repurchase agreements amounts to 10% of the Fund's net assets, subject to a maximum of 10%.

Exposure to reverse repurchase agreements
The expected level of exposure that could be subject to reverse repurchase agreements amounts to 20% of the Fund's net assets, subject to a maximum of 35%. The aggregate amount of cash provided to the same counterparty in reverse repurchase agreements shall not exceed 15% of the net assets of the Fund.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking current income and high degree of capital protectionsafety; and
- seeking investments in a portfolio of high-quality USD-denominated debt and debt-related securities, Money Market Instruments and cash denominated in US dollar; and
- planning to hold their investments for the short term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk

- Liquidity risk
- Market risk
- Repurchase and Reverse Repurchase Transactions risk
- Securitisation risk
- Underlying Investment Funds risk
- Valuation risk
- Volatility risk

Shares in Money Market Funds are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured or guaranteed by any other agency or regulatory body. The value of Shares held in a Money Market Fund may fluctuate.

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN U.S. GOVERNMENT FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is income and safety of principal.

Investment Policy
The Fund seeks to achieve its objective primarily through a policy of investing in debt obligations issued or guaranteed by the United States of America government and its agencies, including purchasing mortgage- and asset-backed securities. The Fund will have an allocation to fixed income securities of at least 75% of its net assets. The Fund may invest 100% of its assets in transferable securities and Money Market Instruments issued or guaranteed by the US government, its agencies and related entities, in accordance with the applicable risk diversification requirements contained in the "Investment Restrictions" section of the Explanatory Memorandum, including but not limited to, the United States Treasury, the U.S. Federal Reserve, the Government National Mortgage Association (GNMA), and up to 20% in both the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (FNMA).

The Fund may use financial derivative instruments for the purpose of efficient portfolio management and interest rate hedging. Such financial derivative instruments may include, inter alia, swaps, forwards and futures contracts (including, but not limited to, futures on interest rates).

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

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking a degree of safety of initial investments as well as income;
- seeking investment primarily in debt securities of the US government and its agencies; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securitisation risk
- Valuation risk

For the purposes of Article 6 of SFDR, it is deemed that sustainability risks are currently not relevant to the investment decisions made in view of the nature of the strategy and that sustainability risks are currently not likely to have a material impact on the returns of the Fund.

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN U.S. OPPORTUNITIES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with

the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities.

The Fund principally invests in small, medium, and large capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The Investment Manager focuses on sectors that have exceptional growth potential and fast growing, innovative companies within these sectors. In addition, solid management and sound financial records are factors the Investment Manager also considers. Although the Investment Manager searches for investments across a large number of sectors, the Fund, from time to time, may have significant positions in particular sectors, such as technology (including electronic technology, technology services, biotechnology and health care technology).

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities;
- seeking a growth investment in sectors showing above average growth or growth potential as compared with the overall economy;
- seeking an investment concentrated in equities of US issuers; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk

- Market risk
- Securities Lending risk
- Smaller and Midsize Companies risk
- Warrants risk

Investment Manager(s)
Franklin Advisers, Inc.

FRANKLIN WORLD PERSPECTIVES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund seeks to achieve its objective by investing in equity and equity-related transferable securities (including equity-linked notes, such as participatory notes) across the world. The Fund's exposure to various industries, regions and markets may vary from time to time according to the Investment Manager's opinion as to the prevailing conditions and prospects for these markets. The Fund may also invest in financial derivative instruments for hedging purposes and efficient portfolio management, which may include, inter alia, swaps such as credit default swaps, forwards, futures contracts, as well as options on such contracts either dealt on Regulated Markets or over-the-counter.

The Investment Manager employs a disciplined, bottom-up investment approach to identify attractive investment opportunities that have higher expected[19] revenue and earnings growth than their peers. The Investment Manager uses a growth investment style and in-depth, fundamental research to identify high-quality[20] companies, across all industry groups, with sustainable business models that offer the most attractive combination of growth, quality and valuation.

The Fund invests in listed equity securities in developed and emerging markets that may include but not limited to the United States, Switzerland, Denmark, Canada, Belgium, China and Argentina, generally in companies with a market capitalisation around or greater than USD 2 billion. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

[19] During qualitative research, the Investment Manager will identify the specific drivers that will enable a company to sustainably grow faster than its peers over a multi-year period. The investment opportunities are also subject to quantitative analysis which involves the modeling of financial statements to establish revenue and earnings growth expectations, as well as assess the quality of that growth.
[20] The Investment Manager reviews and assesses a company's financial transparency, accounting quality and corporate governance. The Investment Manager also seeks to understand a company's environmental management and social and labor policies which will provide a more comprehensive view of the return potential and risks of an investment in such company.

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

Investment in emerging market countries and financial derivative instruments are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing in securities across sectors or market capitalisation ranges capable of outperforming the markets through economic cycles in developed and emerging markets globally; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Securities Lending risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk
- Smaller and Midsize Companies risk
- Swap Agreements risk

Investment Manager(s)
Franklin Templeton Institutional, LLC

TEMPLETON ASIAN BOND FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

Investment Policy
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers, and corporate entities located throughout Asia. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities linked to assets or currencies of any Asian country or deriving its value from another security, including structured products. The Fund may also purchase mortgage- and assetbacked securities and convertible bonds. The Fund may invest in investment grade and non-investment grade debt securities issued by Asian issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also participate in mortgage dollar roll transactions. The Fund may invest up to 40% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction. For the avoidance of doubt, the Fund is not classified as a green or ESG fund, pursuant to the "Circular to

management companies of SFC-authorized unit trusts and mutual funds - Green or ESG funds" issued by the SFC on 11 April 2019.

The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of Asia which are impacted by economic or financial dynamics in Asia. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as India, Indonesia, Mainland China, Malaysia, Mongolia, Philippines, Sri Lanka, Thailand and Vietnam). The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in emerging market countries, financial derivative instruments, in non-investment grade debt securities, in securities in default and in mortgage- and asset- backed securities are subject to a higher degree of risk, as more fully described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking total investment return consisting of interest income, capital appreciation and currency gains by investing primarily in debt securities of issuers located throughout Asia; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Clearing and Settlement risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit Rating Agency risk

- Credit risk
- Credit Default risks associated with Investments in Mainland China Bonds
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Mainland China Tax risk
- Market risk
- Risks associated with the CIBM Direct
- Risk of Default of Agents
- Risk of Difference in Trading Days between Markets via the Bond Connect
- RMB Currency and Conversion risk
- Securitisation risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk
- System Failure risks for the Bond Connect
- Valuation risk
- Volatility risk
- Volatility and Liquidity risk

Level of Leverage

The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 200%[21]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is the JPMorgan Government Bond Index-Emerging Markets Broad Diversified Asia Index.

Investment Manager(s)

Franklin Advisers, Inc.

Sub-Manager(s)

Templeton Asset Management Ltd.

[21] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

TEMPLETON ASIAN GROWTH FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation, which it seeks to achieve through investing primarily in equity securities listed in Asia.

Investment Policy
The Fund applies the traditional Templeton investment method. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline.

The Fund invests primarily in transferrable equity securities as well as depository receipts of companies (i) which are incorporated in the Asia Region, or (ii) which have their principal business activities in the Asia Region, or (iii) which are listed on recognised exchanges in capital markets of the Asia Region. The Asia Region includes but is not limited to the following countries: Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand, and excludes Australia, New Zealand and Japan. The Fund may also invest in equity securities of companies located outside of the Asia Region but which derive a significant proportion of their revenues or profits from the Asia Region or have a significant portion of their assets in the Asia Region. Under normal market conditions, the Fund invests primarily in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, including fixed income securities. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in securities of companies in Asia, including emerging markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk

Investment Manager(s)
Templeton Asset Management Ltd.

TEMPLETON ASIAN SMALLER COMPANIES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to provide long-term capital appreciation.

Investment Policy
The Fund invests primarily in transferable equity securities as well as depository receipts of small cap companies (i) which are incorporated in the Asia region, or (ii) which have their principal business activities in the Asia region. The Asia Region includes but is not limited to the following countries: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. Furthermore, for the purpose of the Fund's investment objective, Asian small-cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index ("Index"). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and

other types of transferable securities, including equity and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging market countries and small size companies are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing primarily in equity securities of small cap companies located in the Asia Region; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Counterparty risk
- Depositary Receipts risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk

- Participatory Notes risk
- Securities Lending risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Templeton Asset Management Ltd. and Franklin Templeton International Services S.à r.l.

TEMPLETON BRIC FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests primarily in equity securities of companies (i) organised under the laws of or with their principal office in Brazil, Russia, India and China (including Hong-Kong and Taiwan) ("BRIC") or (ii) which derive the principal portion of their revenues or profits from BRIC economies or have the principal portion of their assets in BRIC economies.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, including debt and fixed income securities and in Money Market Instruments. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investment in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in securities of companies in Brazil, Russia, India and China, including Hong Kong and Taiwan; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Russian and Eastern European Markets risk
- Securities Lending risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Templeton Asset Management Ltd.

TEMPLETON CHINA FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities of companies: (i) organised under the laws of

or with their principal offices in the Mainland China ("China"), Hong Kong or Taiwan or (ii) which derive the principal portion of their revenue from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan.

The Fund may also invest in equity securities of companies (i) for which the principal market for the trading of securities is China, Hong Kong or Taiwan or (ii) that are linked to assets or currencies in China, Hong Kong or Taiwan.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in equity securities of China; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Convertible Securities risk

- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk

Investment Manager(s)
Templeton Asset Management Ltd.

TEMPLETON EASTERN EUROPE FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve by investing primarily in listed equity securities of issuers organised under the laws of, or with their principal activities within the countries of Eastern Europe, as well as the New Independent States, e.g. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union in the past (the "Region").

The Fund may also invest in securities issued by the governments of the above-mentioned countries and privatisation certificates of companies located, or with their principal activities, within the Region. Eastern Europe includes the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Malta, Montenegro, Poland, Romania, Russia, Serbia, the Slovak Republic, Slovenia, and Turkey. The New Independent States that were formerly part of the Soviet Union, apart from Russia itself, include: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Investment Manager anticipates that the Fund invests primarily in companies (i) of which, if listed, the principal equity securities market is in the Region; or (ii) that derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed, in the Region; or (iii) that have at least 50% of their assets situated in the Region. The Fund primarily invests in equity securities of publicly traded companies. Preference is given to the countries with functioning stock markets where foreign investment is permitted and appropriate custodial arrangements exist.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in the Eastern European region, including emerging markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Russian and Eastern European Markets risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Franklin Templeton Investments (ME) Limited

TEMPLETON EMERGING MARKETS BOND FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximize, consistent with prudent investment management, total investment return, consisting of a combination of interest income, capital appreciation and currency gains.

Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities (including non-investment grade debt securities) and debt obligations issued by government and government-related issuers or corporate entities located in developing or emerging market countries. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction. For the avoidance of doubt, the Fund is not classified as a green or ESG fund, pursuant to the "Circular to management companies of SFC-authorized unit trusts and mutual funds - Green or ESG funds" issued by the SFC on 11 April 2019.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities linked to assets or currencies of any developing or emerging market country or deriving its value from another security, including structured products. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government- related issuers or corporate entities located outside of developing or emerging market countries which are impacted by economic or financial dynamics in developing or emerging market countries. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the

professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in Emerging Market countries, financial derivative instruments, non- investment grade debt securities and securities in default are subject to a higher degree of risk, as more fully described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking potentially above-average levels of income and capital appreciation by investing in emerging market fixed income securities; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Concentration risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Distressed Securities risk
- Dividend Policy risk
- Emerging Markets risk
- Foreign Currency risk
- Frontier Markets risk
- Hybrid Bonds risk

- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Securitisation risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk
- Valuation risk
- Volatility risk
- Warrants risk

Level of Leverage
The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 200%[22]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark consisting of the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (50%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (50%).

Investment Manager(s)
Franklin Advisers, Inc.

TEMPLETON EMERGING MARKETS DYNAMIC INCOME FUND

Asset Class
Multi-Asset Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximize, consistent with prudent investment management, a combination of capital appreciation and interest income.

Investment Policy
The Fund seeks to achieve its objective by investing principally (at least two-thirds of its net assets) in a diversified portfolio of equity securities, fixed and floating rate debt securities, including low-rated and non-rated debt securities, and debt obligations issued by government, government-related issuers and corporate entities which are located, incorporated or have their principal business activities in developing or emerging market countries. Such countries include but are not limited to Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

[22] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

The Fund will typically invest at least 25% of its net assets in emerging market equity securities and at least 25% of its net assets in emerging market debt securities but the proportion of its assets allocated to each may vary over time depending on the Investment Managers' view of the relative attractiveness of each asset class. The Fund's minimum total investment in emerging market securities is subject to the paragraph above.

The Fund may also utilize financial derivative instruments for hedging, efficient portfolio management and investment purposes. Financial derivative instruments may be used for the purposes of obtaining greater liquidity, locking in higher yields, or to implement currency and interest rate views to obtain economic exposure as an alternative to transacting in the physical markets. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/ duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities or structured products (such as P-notes or equity-linked notes) where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or emerging market country. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its total net assets in securities in default.

The Fund may also invest in securities issued by government, government related issuers or corporate entities located outside of developing or emerging market countries but which derive a significant proportion of their revenues or profits from, have a significant portion of their assets in or are impacted by economic/ financial dynamics in developing or emerging market countries. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Managers whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking a combination of capital appreciation and interest income by investing in emerging markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

Investments in emerging market countries are subject to a higher degree of risk as more fully described in the section "RISK CONSIDERATIONS" of this Explanatory Memorandum. The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Securities Lending risk
- Securitisation risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk
- Structured Notes risk

- Swap Agreements risk
- Valuation risk
- Volatility risk

Investment Manager(s)
Franklin Advisers, Inc.

Sub-Manager(s)
Templeton Asset Management Ltd.

TEMPLETON EMERGING MARKETS FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities, and as an ancillary matter in debt obligations, issued by corporations incorporated or having their principal business activities in, and governments of, developing or emerging nations.

The Fund may also invest in those companies, which derive a significant proportion of their revenues or profits from emerging economies or have a significant portion of their assets in emerging economies. The Fund may also invest in equity and debt securities of issuers that are linked to assets or currencies of emerging nations. The Fund invests primarily in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, participatory notes, securities convertible into common stock, and corporate and government debt obligations. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in emerging markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Non-Regulated Markets risk
- Participatory Notes risk
- Russian and Eastern European Markets risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk

Investment Manager(s)
Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited

TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective/Policy
The Fund's investment objective is long-term capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities as well as depository receipts of (i) small cap companies registered in the emerging markets, (ii) small cap companies which perform a substantial part of their business in emerging markets, and (iii) small cap holding companies which hold a substantial part of their participations in companies referred to in (i). For the purpose of the Fund's investment objective, emerging market small cap companies are

normally those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

On an ancillary basis, the Fund may also invest in participatory notes, in debt securities of emerging market countries, which may be low-rated or unrated, and in transferable securities of issuers located in the developed countries. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign institutional investor (QFII) portfolios, UCIs and any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging market countries, in Low-Rated Securities and Small-size Companies are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors seeking:
- capital appreciation by investing in emerging markets small cap securities; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China QFII risk
- Chinese Market risk
- Chinese Short Swing Profit Rule risk
- Concentration risk
- Counterparty risk
- Depositary Receipts risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk

- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Participatory Notes risk
- Securities Lending risk
- Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk
- Smaller and Midsize Companies risk

Investment Manager(s)
Templeton Asset Management Ltd. and Franklin Templeton International Services S.à r.l.

TEMPLETON EUROLAND FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve primarily through a policy of investing in equity and debt obligations of any issuer in a member country of the European Monetary Union (Eurozone countries) including corporations and governments, whether denominated in Euro or relevant national currency, and in stock or debt obligations denominated in Euro of any other issuer.

To ensure eligibility for the French *Plan d'Epargne en Actions* (PEA), the Fund invests at least 75% of its total assets in equity securities issued by companies which have their head office in the European Union.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of transferable securities, such as preferred stock and securities convertible into common stock of any such issuers as described above. The Fund may also invest to a lesser extent in structured notes such as equity-linked notes.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, futures contracts (including futures based on equity, equity index, interest rate and currency), forwards as well as options (such as equity options and equity index options dealt on Regulated Markets). Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing in undervalued equity securities issued by the member countries of the European Monetary Union; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Structured Notes risk

Investment Manager(s)
Franklin Templeton Investment Management Limited

TEMPLETON EUROPEAN DIVIDEND FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objective
The Fund's investment objective is to provide a combination of current income and long-term capital appreciation.

Investment Policy

The Fund seeks to achieve its investment objective by investing principally in equity and equity-related securities (including warrants and convertible securities) of companies of any market capitalisation incorporated or having their principal business activities in European countries. In particular, the Fund seeks income by investing in stocks the Investment Manager believes offer attractive dividend yields at the time of purchase and the prospect for attractive dividend yields in the future.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also on an ancillary basis seek investment opportunities in equity-linked securities of the abovementioned companies as well as equity, equity-linked and equity-related securities of companies which do not fulfil the requirements set out above.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, forwards and cross forwards, futures contracts including index futures, or options on such contracts, equity-linked notes as well as options.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking income and capital appreciation by investing in equity securities of companies located in any European country; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Warrants risk

Investment Manager(s)
Franklin Templeton Investment Management Limited

TEMPLETON EUROPEAN SMALL-MID CAP FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund seeks to achieve its investment objective by investing principally in equity and equity-related securities (including warrants and convertible securities) of small and mid-cap European companies. In selecting equity investments, the Investment Manager employs an active, bottom-up fundamental research process to search for individual securities believed to possess superior risk-return characteristics.

The Fund principally invests its net assets in the securities of issuers incorporated or having their principal business activities in European countries and which have a market capitalisation above Euro 100 million and below Euro 8 billion or the equivalent in local currencies at the time of purchase.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities, which do not fulfill the requirements set out above.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities of small or mid-cap companies located in any European countries; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk

- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Growth Stocks risk
- Liquidity risk
- Market risk
- Smaller and Midsize Companies risk
- Warrants risk

Investment Manager(s)
Franklin Templeton Institutional, LLC

TEMPLETON FRONTIER MARKETS FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to provide long-term capital appreciation.

Investment Policy
The Fund invests principally in transferable equity securities of companies (i) incorporated in the frontier markets countries, or (ii) which have their principal business activities in frontier markets countries across the market capitalisation spectrum. The frontier markets countries are smaller, less developed and less accessible emerging markets countries, but with "investable" equity markets and include those defined as frontier markets by the International Finance Corporation as well as included in frontier markets related indices (including but not limited to MSCI Frontier Emerging Markets Select Countries Capped Index, Merrill Lynch Frontier Index, S&P Frontier Broad Market Index), for example Bahrain, Bulgaria, Egypt, Kazakhstan, Nigeria, Pakistan, Qatar, Vietnam etc.

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide as well as in financial derivative instruments for hedging and efficient portfolio management purposes. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity linked notes dealt in either on Regulated Markets or over-the-counter.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing primarily in equity securities of companies located in countries defined as frontier markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk
- Non-regulated Markets risk
- Participatory Notes risk

Investment Manager(s)
Franklin Templeton Investments (Asia) Limited

Sub-Manager(s)
Franklin Templeton Investments (ME) Limited

TEMPLETON GLOBAL BALANCED FUND

Asset Class
Balanced Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to seek capital appreciation and current income, consistent with prudent investment management.

Investment Policy
The Fund seeks to achieve its objective by investing principally in equity securities and government debt securities issued by entities throughout the world, including emerging markets.

The Investment Managers anticipate that the majority of the Fund's portfolio is normally invested in equity or equity-linked securities, including debt or preferred stock convertible or exchangeable into equity securities, selected principally on the basis of their capital growth potential. The Fund seeks income by investing in fixed or floating rate debt securities (including up to 5% of the Fund's net assets in non-investment grade securities) and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may purchase equities, fixed income securities and debt obligations. Notwithstanding the foregoing, at no time will the Investment Manager invest more than 40% of the Fund's total net assets into fixed income securities.

The Fund may also utilise financial derivative instruments for hedging purposes and efficient portfolio management. These financial derivative instruments may be dealt on either (i) Regulated Markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

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

Additional Notes on the Investment Policy

If and for so long as the Templeton Global Balanced Fund accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders, the Templeton Global Balanced Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation.

Investments in emerging markets countries are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking a combination of capital appreciation and a level of income; and
- seeking to access a portfolio of both equity and fixed income securities via a single fund; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- Chinese Market risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Europe and Eurozone risk
- Equity risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Valuation risk
- Volatility risk

Investment Manager(s)
Franklin Advisers, Inc. and Templeton Asset Management Ltd.

TEMPLETON GLOBAL BOND FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating rate debt securities (including non- investment grade securities) and debt obligations issued by government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in debt securities (including non-investment grade securities) of corporate issuers. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as the CIBM direct).

The Fund employs a proprietary Environmental, Social and Governance (ESG) proprietary rating methodology to assess each country that issues sovereign bonds that are existing or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of sub-categories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test best represents the investment worthiness of a country and also promotes ESG by investing in countries that are expected to improve from an ESG perspective.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction. As an initial step in its methodology, the Investment Manager evaluates countries that issue sovereign debt that may be potential investments for the Fund (the "Fund's Investment Universe"). Each country in the Fund's Investment Universe is scored on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global indexes providers. The Investment Manager's team will then use internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories.

Projected scores in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. The weighted average base ESG score of the issuers in the Fund's portfolio is higher than the average base ESG score of its Investment Universe.

The Investment Manager monitors countries that (i) are below the minimum ESG threshold (the lowest 20% of ESG rated countries) and (ii) present meaningful projected deteriorating scores, with a view to evaluate the potential divestment of sovereign bonds issued by countries that demonstrate no improvement over time. When the disposition of an existing position is not feasible due to legal or regulatory restrictions or exceptional market circumstances the investment team shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be. Countries that are subject to international economic sanctions, including sanctions imposed by the United Nations, the European Union or the United States Office of Foreign Assets Control are excluded from the Investment Universe.

The countries in the Fund's Investment Universe, the ESG subcategories, weightings for environment, social and governance, and the global reference indices used for scoring are reviewed at least bi-annually and may change over time. For the avoidance of doubt, the Fund is not classified as a green or ESG fund, pursuant to the "Circular to management companies of SFC-authorized unit trusts and mutual funds - Green or ESG funds" issued by the SFC on 11 April 2019.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as interest rate swaps, credit default swaps or fixed income related total return swaps), currency forwards and cross currency forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities or structured products (such as credit-linked securities, mortgage- and asset-backed securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, including convertible bonds and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs for cash management purposes only. The ESG methodology is not applied to the financial derivative instruments themselves or to UCITS / UCI used for cash management purposes.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Brazil, Colombia, Egypt, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Portugal, Russia, Spain and Ukraine). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in emerging markets countries, in financial derivative instruments, in non-investment grade securities and securities in default are subject to a higher degree of risk as more fully described in the section "RISK CONSIDERATIONS".

Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 3% of the Fund's net assets, subject to a maximum of 5%.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk
- Valuation risk
- Volatility risk

Level of Leverage

The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 200%[23]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark consisting of the J.P. Morgan Government Bond Index Broad (JGBI Broad) (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%).

Investment Manager(s)

Franklin Advisers, Inc.

[23] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

TEMPLETON GLOBAL CLIMATE CHANGE FUND

Asset Class
Equity Fund

Base Currency
Euro (EUR)

Investment Objective
The Fund's investment objective is to contribute towards climate change mitigation and adaptation as considered by the Paris Climate Agreement while seeking capital appreciation.

Proposed index / alternative means of measurement
The Fund's proposed index to measure the sustainable investment objective, is the MSCI Provisional ACWI Climate Change EU Climate Transition Index, which pursues carbon intensity of at least 30% below the broad market index and incorporates a year on year self-decarbonization of at least 7% on average, the trajectory required to limit global warning of no more than 1.5 degrees, according to the Intergovernmental Panel on Climate Change. The index applies exclusions and adjusted weightings to the broad market parent index, MSCI All Country World Index, in order to comply with the EU Climate Transition Benchmark requirements. In order to achieve the long-term global warming targets of the Paris Climate Agreement, the Fund pursues decarbonization primarily through investments in solutions to reduce greenhouse gas emissions, and secondarily through investments in companies committed to aligning their own self-decarbonization trajectory with the 1.5-degree scenario.

Investment Policy
The Fund seeks to achieve its objective by primarily investing in equity securities of global companies that provide solutions for the migration and/or adaption of climate change risk or which are in the process of making their business models more resilient to long-term risks presented by climate change and resource depletion. Such companies are, in our view, better prepared financially and competitively for a transition to a low carbon and more resource constrained economy. The Investment Manager uses in-depth analysis to select equity securities which it believes are undervalued, based on such factors as their expected long-term earnings and the value of the business assets.

The Fund aims to achieve its climate change mitigation and adaption objective by investing in companies that reduce emissions, improve resource efficiency and limit the physical consequences of climate change so as to align the Fund's portfolio carbon footprint with the landmark Paris Climate Agreement adopted in December 2015. Companies that may benefit financially and competitively from the transition to a global low-carbon economy can be grouped into three broad categories:

Solution providers: (>50% of the Fund's net assets) companies that derive more than 50% of revenues (or alternative metric such as assets) from products and services that directly or indirectly reduce global emissions, improve resource efficiency, and/or protect against the physical consequences of climate change. The solutions activities are generally associated with one of the following themes: Renewable Energy, Energy Efficiency, Water & Waste Management, Sustainable Transportation, and Sustainable Forestry & Agriculture. Factors

driving security selection include the Investment Manager's percent of revenues and profits from solutions, a company's net impact on greenhouse gas emissions and resource usage and its governance of the opportunities arising from the low carbon transition.

Transitioning companies: (<50% of the Fund's net assets) companies that have moderate to high emissions or resource intensity which are making industry-leading efforts to reduce them. Such companies will have below average projected carbon intensity as a result of historical greenhouse gas emissions reductions and quantitative reduction targets, or they will have above average projected solutions revenue. Factors driving security selection include the Investment Manager's view on a company's ability to achieve carbon and resource intensity aligned with the long-term global warming targets of the Paris Climate Agreement, greenhouse gas emissions disclosure quality, exposure to climate mitigation and adaptation solutions and the company's governance of the risks and opportunities arising from the low carbon transition.

Resilient companies: (<50% of the Fund's net assets) companies that have relatively low carbon and resource intensity. Such companies will have carbon or resource intensity in the bottom half of the broad global investment universe. Factors driving security selection are the same as Transitioning companies.

To measure the attainment of the Fund's sustainable investment objective, the Fund will measure exposure to climate mitigation and adaptation solutions providers, the portion of the portfolio with an increase in solutions revenues and that report carbon avoided, renewable energy generation, the percent of companies with quantitative greenhouse gas emissions reduction targets and the weighted average reduction target, portfolio carbon footprint trajectory, exposure to fossil fuels, exposure to companies with high carbon emission product & operations, and the portion of the portfolio with an improving carbon footprint.

The Fund seeks to invest in companies that are good stewards of their impact on social and environmental development. Environmental, social and governance (ESG) issues are considered alongside traditional financial measures to identify responsible and effective stewards of capital and provide a more comprehensive view of the longer-term value, risk and sustainable return potential of an investment. The internal ESG assessment framework applied to all companies is aided by multiple external ESG research and data providers, including Carbon Disclosure Project (CDP), MSCI and Sustainalytics. ESG issues evaluated will include elements such as 1) Environmental - how a company manages its impact on the environment (energy use, climate change, waste, pollution, natural resource conservation), 2) Social - how a company manages relationships with its employees, suppliers, customers and the communities where it operates (human rights, labour standards, employee engagement, community relations, data protection and privacy, gender and diversity) and 3) Governance - how a company's oversight is structured to ensure responsible and effective management (company's leadership, degree of independent directors, executive pay, independent audits and internal controls, shareholder rights). The Investment Manager's ESG approach also includes regular dialogue with companies, monitoring material ESG issues and voting proxies.

The Fund will not invest in fossil fuel producers, producers of controversial weapons (*i.e.*, anti-personnel mines, nuclear weaponry, biological & chemical weaponry and cluster munitions) and companies that generate 5% or more of their revenues from tobacco, conventional weapons or nuclear power generation. The Fund will not invest in companies that violate the United Nations Global Compact Principles, international norms on human rights, labour rights,

environment standards and anti-corruption statutes, according to the Investment Manager analysis.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities. The Fund may further invest in time deposits, cash and money market instruments. The Fund may also invest up to 10% of its net assets in units of undertaking for collective investments such as UCITS, Exchange Traded Funds ("ETFs") as well as other UCIs.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts (including futures based on equity, equity index, interest rate and currency), equity and equity index options, equity linked notes, as well as options (including covered calls and warrants).

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors looking to:

- invest in equities securities of global companies that provide solutions for the mitigation and/or adaptation of climate change risk, while seeking capital appreciation; and
- invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Chinese Market risk
- Class Hedging risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Environmental, Social and Governance Investment risk
- Equity risk

- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Sustainability risk

Investment Manager(s)
Franklin Templeton Investments Corp.

Sub-Manager(s):
Franklin Templeton Investment Management Limited

TEMPLETON GLOBAL EQUITY INCOME FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to provide a combination of current income and long-term capital appreciation.

Investment Policy
Under normal market conditions the Fund invests in a diversified portfolio of equity securities worldwide. The Fund seeks income by investing in stocks the Investment Manager believes offer attractive dividend yields. The Investment Manager seeks capital appreciation by searching for undervalued or out-of-favour securities offering current income or opportunities for future capital appreciation. Capital appreciation is sought by investing in equity securities of companies from a variety of industries and located anywhere in the world, including emerging markets.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as debt and fixed income securities.

The Fund may further utilize financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including futures based on equity, equity index, interest rate, currency and government securities), as well as options (including covered calls). The Fund may also purchase participatory notes or equity-linked notes where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in emerging markets countries are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation and current income from their equity investments; and
- planning to hold their investments from the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Chinese Market risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Participatory Notes risk
- Securities Lending risk
- Structured Notes risk
- Swap Agreements risk

Investment Manager(s)
Templeton Asset Management Ltd.

TEMPLETON GLOBAL FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations of companies and governments of any nation throughout the world, including emerging markets. The Fund invests principally in common stocks.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities, which are US dollar and non-US dollar denominated.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, futures contracts (including futures based on equity, equity index, interest rate and currency), forwards as well as options. Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging markets countries are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking capital appreciation by investing in undervalued securities in a well-diversified global equity fund; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Chinese Market risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk

Investment Manager(s)
Templeton Global Advisors Limited

TEMPLETON GLOBAL HIGH YIELD FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objectives
The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

Investment Policy
The Fund invests principally in debt securities (including non-investment grade securities) of issuers globally, including those in emerging markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating rate income securities (including bank loans through regulated investment funds subject to the limits indicated below), bonds, mortgage- and other asset-backed securities (including collateralised debt obligations) and convertible securities. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or

credit. In addition, the Fund may invest in equity securities, credit-linked securities and money-market instruments and may seek exposure to floating rate loans through regulated investment funds. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its total assets in securities in default.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in emerging market countries, in financial derivative instruments, mortgage or asset-backed securities, non-investment grade securities and securities in default are subject to a higher degree of risk as more fully described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:
- seeking a high level of income and prospects of capital appreciation; and
- seeking to access a portfolio of high yield debt securities from issuers worldwide; and
- planning to holder their investments for medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- Chinese Market risk
- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Europe and Eurozone risk

- Foreign Currency risk
- Liquidity risk
- Market risk
- Restructuring Companies risk
- Securitisation risk
- Swap Agreements risk
- Valuation risk
- Volatility risk

Level of Leverage
The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 120%[24]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark consisting of the J.P. Morgan Global High Yield Index (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%).

Investment Manager(s)
Franklin Advisers, Inc.

TEMPLETON GLOBAL INCOME FUND

Asset Class
Balanced Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is to maximise current income while maintaining prospects for capital appreciation.

Investment Policy
Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities worldwide. The Fund seeks income by investing in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide, including in emerging markets, as well as stocks the Investment Manager believes offer attractive dividend yields. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may invest in investment grade and non-investment grade debts securities issued by US and non-US issuers including securities in default. The Fund may utilise financial derivative instruments for

[24] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including futures based on equity, equity index, interest rate, currency and government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may invest in fixed or floating rate debt securities either directly or through regulated investment funds (subject to the limits indicated above). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Managers whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging market countries, financial derivative instruments, non- investment grade securities and securities in default are subject to a higher degree of risk, as more fully described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions

The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking a combination of current income and capital appreciation from a portfolio of both equity and fixed income securities via a single fund; and
- planning to hold their investments from the medium to long term.

Risks of Investing in the Fund

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

- China Bond Connect risk
- Chinese Market risk
- Concentration risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Swap Agreements risk
- Valuation risk
- Volatility risk

Level of Leverage

The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 120%[25]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark consisting of the MSCI All Country World Index (50%), the Bloomberg Barclays Multiverse Index (25%), the Bloomberg Barclays Global High-Yield Index (12.5%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (6.25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (6.25%).

Investment Manager(s)

Franklin Advisers, Inc. and Templeton Global Advisors Limited

[25] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's investment objective is capital appreciation.

Investment Policy
The Fund invests principally in common stocks of smaller companies (*i.e.*, those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI All Country World Small Cap Index (Index). The Fund may continue to hold securities that have grown to have a market capitalisation in excess of the range of the market capitalisations of companies included in the Index. Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund.

The Fund may also invest up to 20% of its net assets in debt obligations of smaller companies throughout the world, including emerging markets. Debt securities represent obligations of an issuer to repay loans where repayment terms of principal and interest are clearly specified, along with the lender's rights, in the loan agreement. These securities include bonds, notes and debentures.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in companies with larger market capitalisations, as well as in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities, which are US dollar and non US dollar denominated.

The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts (including futures based on equity, equity index, interest rate and currency), equity and equity index options, equity linked notes, as well as options (including warrants).

For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Investments in emerging markets countries are subject to a higher degree of risk as described in the section "RISK CONSIDERATIONS".

Exposure to securities lending transactions
The expected level of exposure that could be subject to securities lending transactions amounts to 5% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking long-term capital appreciation by investing in undervalued equity securities of small-cap companies from around the world; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Chinese Market risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Europe and Eurozone risk
- Foreign Currency risk
- Liquidity risk
- Market risk
- Securities Lending risk
- Smaller and Midsize Companies risk
- Valuation risk
- Volatility risk
- Warrants risk

Investment Manager(s)
Templeton Investment Counsel, LLC

Sub-Manager(s)
Franklin Templeton Investments Corp.

TEMPLETON GLOBAL TOTAL RETURN FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

Investment Policy
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide. The fixed and/or floating-rate debt securities and debt obligations in which the Fund may invest include investment grade and non-investment grade securities. The Fund may also purchase debt obligations issued by supranational entities organized or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction. For the avoidance of doubt, the Fund is not classified as a green or ESG fund, pursuant to the "Circular to management companies of SFC-authorized unit trusts and mutual funds - Green or ESG funds" issued by the SFC on 11 April 2019.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt either in Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps or fixed income related total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products (such as credit-linked securities, commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct). The Fund may hold up to 10% of its net assets in securities

in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may also participate in mortgage dollar roll transactions.

In order to effectively manage cash flows in or out of the Fund, the Fund may buy and sell financial futures contracts or options on such contracts. The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index based financial derivatives and credit default swaps.

The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund may distribute dividends from capital, net realised and net unrealised capital gains as well as income gross of expenses.

Investments in emerging market countries, financial derivative instruments, non-investment grade debt securities, securities in default and mortgage- and asset-backed securities are subject to a higher degree of risk, as more fully described in the section "RISK CONSIDERATIONS".

Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be more than 50% but up to 100% of the Fund's Net Asset Value.

Investor's Profile

The Fund is suitable for investors:

- seeking a high level of income and capital preservation, and to a lesser extent, capital growth; and
- seeking to invest in fixed income securities of any global government or corporate issuers; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund

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

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Concentration risk
- Counterparty risk
- Credit risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Europe and Eurozone risk
- Foreign Currency risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Securitisation risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk
- Valuation risk
- Volatility risk

Level of Leverage

The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 200%[26]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark for the Fund is a blended benchmark consisting of the Bloomberg Barclays Multiverse Index (50%), the Bloomberg Barclays Global High-Yield

[26] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

Index (25%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (12.5%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (12.5%).

Investment Manager(s)
Franklin Advisers, Inc.

TEMPLETON GLOBAL TOTAL RETURN II FUND

Asset Class
Fixed Income Fund

Base Currency
US dollar (USD)

Investment Objective
The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations (including investment grade and non-investment grade [27] securities) issued by government and government-related issuers or corporate entities worldwide. The Fund may purchase fixed income securities and debt obligations denominated in any currency. The Investment Manager actively manages currencies to capture potential returns from currency realignments or to hedge-out an undesired currency exposure. The Fund may invest up to 50% of its net assets in repurchase and/or reverse repurchase agreements.

The Fund may invest on an ancillary basis (that is, below one-third of the Fund's net assets, or otherwise as specified below) in:

- mortgage- and asset-backed securities;
- debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank;
- securities or structured products (such as credit-linked securities, commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country;
- securities in default (up to 10% of the Fund's net assets);
- equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation;
- units of UCITS and other UCIs (up to 10% of the Fund's net assets);

[27] "Non-Investment grade" or "below investment grade" is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

- convertible bonds;
- mortgage dollar roll transactions[28];
- Mainland China through the Bond Connect or directly (also referred to as CIBM direct[29]) (less than 30% of the Fund's net assets);
- debt securities issued or guaranteed by each single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade[30] at the time of purchase, such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay (up to 25% of the Fund's net assets). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time; and
- Unrated securities[31].

The Fund may invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible debt securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction. For the avoidance of doubt, the Fund is not classified as a green or ESG fund, pursuant to the "Circular to management companies of SFC-authorized unit trusts and mutual funds - Green or ESG funds" issued by the SFC on 11 April 2019.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as

[28] In a mortgage dollar roll, the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date.

[29] The CIBM direct is the PRC investment program revised in 2016 under which certain foreign institutional investors such as the Company and the Funds may invest, without particular license or quota, directly in RMB fixed income securities dealt on the CIBM.

[30] "Non-Investment grade" or "below investment grade" is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

[31] For the purpose of the Fund, "unrated" refers to where neither the instrument itself nor its issuer has a credit rating.

options. Structured products such as credit-linked notes may embed derivatives or have features similar to those of a financial derivative instrument. Where this is the case, they will be treated as financial derivative instruments. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index-based financial derivatives and credit default swaps.

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

In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills, with due regard to the principle of risk spreading.

Exposure to total return swaps
The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10% of the Fund's net assets.

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund may appeal to investors looking:
- maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains; and
- invest for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- China Bond Connect risk
- Chinese Market risk
- Class Hedging risk
- Contingent Capital Securities risk
- Convertible Securities risk
- Counterparty risk
- Credit risk
- Credit Rating Agency risk
- Credit-Linked Securities risk
- Debt Securities risk
- Derivative Instruments risk

- Dividend Policy risk
- Emerging Markets risk
- Foreign Currency risk
- General Investment risk
- Hybrid Bonds risk
- Liquidity risk
- Market risk
- Repurchase and Reverse Repurchase Transactions risk
- Risks associated with Investments in Debt Instruments with Loss-Absorption Features
- Risks associated with the CIBM Direct
- Securitisation risk
- Structured Notes risk
- Sustainability risk
- Swap Agreements risk

Level of Leverage
The expected level of leverage for the Fund (based on "sum of notionals" approach) is 200%[32]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR.

The relative VaR reference benchmark is a blended benchmark consisting of the Bloomberg Barclays Multiverse Index (50%), the Bloomberg Barclays Global High-Yield Index (25%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (12.5%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (12.5%).

Investment Manager(s)
Franklin Advisers, Inc.

TEMPLETON LATIN AMERICA FUND

Asset Class
Equity Fund

Base Currency
US dollar (USD)

Investment Objective/Policy
The Fund's investment objective is capital appreciation, which it seeks to achieve, under normal market conditions, through a policy of investing primarily in equity securities and as an ancillary matter in debt securities of issuers incorporated or having their principal business activities in the Latin American region. The Latin American region includes, but is not limited to, the following countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, French Guyana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Trinidad/Tobago, Uruguay and Venezuela. The balance of the Fund's assets may be invested in equity securities and debt obligations of companies and government entities of countries other than those named above.

[32] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities which are denominated in currencies other than Latin American currencies such as US dollar or Euro.

Investments in emerging market countries are subject to a higher degree of risk, as described in the section "RISK CONSIDERATIONS".

Use of derivatives / investment in derivatives
The Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

Investor's Profile
The Fund is suitable for investors:

- seeking capital appreciation by investing in equity securities in Latin America, including emerging markets; and
- planning to hold their investments for the medium to long term.

Risks of Investing in the Fund
The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the section "RISK CONSIDERATIONS" for a full description of these risks.

- Concentration risk
- Convertible Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Emerging Markets risk
- Equity risk
- Foreign Currency risk
- Frontier Markets risk
- Liquidity risk
- Market risk

Investment Manager(s)
Franklin Advisers, Inc.

Sub-Manager(s)
Franklin Templeton Investimentos (Brasil) Ltda.

RISK CONSIDERATIONS

There can be no assurance that a Fund's primary or secondary investment objective(s) will be attained. In seeking to achieve the Fund's primary objective, there will be times when the Fund may be exposed to the risk of loss of capital. Failure to achieve investment objective(s) can adversely affect and/or result in a substantial loss to a Fund. The value of the Shares will increase as the value of the securities owned by any Fund of the Company increases and will decrease as the value of the Fund's investments decrease. In this way, Shareholders participate in any change in the value of the securities owned by the relevant Funds. In addition to the factors that affect the value of any particular security that a Fund owns, the value of the Fund's Shares may also change with movements in the stock and bond markets as a whole.

A Fund may own securities of different types, or from different asset classes – equities, bonds, Money Market Instruments, derivatives – depending on the Fund's investment objective.

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

American Depository Receipts risk

American Depository Receipts ("**ADRs**") do not eliminate currency and economic risks for underlying shares of a company operating in another country. In addition to the risks linked to their underlying security, ADRs bear price risk and counterparty risk: The price of an ADR may not perfectly track the price of its underlying common share and may trade at a premium or a discount. Funds holding ADRs may face administrative difficulties in recovering the value of their holding in case of default of payment on the part of the issuer or depositary bank or underlying security of an ADR. Holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights.

Asset Allocation risk

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

The Investment Manager may use modeling systems to implement their investment strategies for a Fund. There is no assurance that the modeling systems are complete or accurate, or representative of future market cycles, nor will they necessarily be beneficial to the Fund even if they are accurate. The investment performance generated by these models may perform

differently than anticipated and may negatively affect Fund performance. Human judgment plays a role in building, using, testing, and modifying the financial algorithms and formulas used in these models. Additionally, there is a possibility that the historical data may be imprecise or become stale due to new events or changing circumstances which the models may not promptly detect. Market performance can be affected by non-quantitative factors (for example, market or trading system dysfunctions, investor fear or over-reaction or other emotional considerations) that are not easily integrated into the Investment Manager's risk models. There may also be technical issues with the construction and implementation of quantitative models (for example, software or other technology malfunctions, or programming inaccuracies). Investors may be adversely affected as a result of these risks.

Biotechnology, Communication and Technology Sectors risk

Investment in the biotechnology, communication and technology sectors may present a greater risk and a higher volatility than investment in a broader range of securities covering different economic sectors. Companies in these sectors may be in their preliminary stage of development and therefore may rely heavily on research development and may face intense competition which may have an adverse effect on profit margins and such companies will have high uncertainty and volatility in price performance when compared to other economic sectors. In addition, these sectors may be subject to greater government regulation than other sectors and, as a result, changes to such government regulation may have a material adverse effect on these sectors. Such investments may therefore drop sharply in value in response to market, regulatory or research setbacks in addition to possible adverse effects from the competition of new market entrants, patent considerations and product obsolescence. Particularly within technology, short product cycles and diminishing profit margins are additional factors to consider when investing. The value and performance of the Funds may be adversely affected as a result.

China Bond Connect risk

Bond Connect is a mutual market access scheme allowing overseas investors to trade in bonds circulated on the CIBM through connection between the Mainland and Hong Kong financial infrastructure institutions without quota limitations.

The Northbound Trading link commenced on 3 July 2017 with transactions being made possible through mutual access arrangements in respect of trading, custody and settlement. It involves China Foreign Exchange Trading System, China Central Depository & Clearing Co, Shanghai Clearing House, Hong Kong Exchanges & Clearing plus the Central Moneymarkets Unit (CMU). A delivery versus payment (DVP) settlement system for transactions through the Bond Connect scheme was implemented in August 2018 thereby reducing settlement risk.

The ultimate foreign eligible investors are the beneficial owners of the relevant CIBM bonds and may exercise their rights against the bond issuer through CMU as the nominee holder. The nominee holder may exercise its creditor rights and bring actions against bond issuers in Chinese courts.

CIBM securities traded via the Bond Connect can be subject to risks including but not limited to risk of default from counterparties, settlement risk, liquidity risk, operational risk, regulatory risks, volatility risk, PRC tax risk and reputational risk.

The Bond Connect encompasses recently developed trading systems. There can be no assurance

that those systems will function correctly or will not be subject to further changes or adaptation. The relevant rules and regulations may be subject to change which may have potential retrospective effect. If the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, the Funds' ability to invest in the CIBM will be adversely affected. In such event, the Funds' ability to achieve its investment objective may be negatively affected.

There is no specific written guidance by the Mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in the CIBM by eligible foreign institutional investors via the Bond Connect.

Securities traded through the Bond Connect may be subject to a range of reputational risks such as risks borne by companies being subject to cyber abuses, sanctions concerns and negative accusations over labor and human rights, environmental degradation, ties to high-risk countries and entities overseas.

China QFII risk

The Company may invest in China A-Shares either through a qualified foreign institutional investor (QFII) portfolios or directly through the QFII quota granted to a portfolio manager or sub-manager. Such QFII schemes are authorised by the China Securities Regulatory Commission of Mainland China thus permitting investments in the securities market of Mainland China (China A-Shares). The laws, regulations, including measures allowing QFIIs to invest in China A-Shares, government policies and political and economic climate in China may change with little or no advance notice. Any such change could adversely affect market conditions and the performance of the Chinese economy and, thus, the value of China A-Shares.

The redemption of the China A-Shares may depend, inter alia, on the Mainland China laws and practice affecting Investors's ability to liquidate investments and to remit the proceeds thereof out of Mainland China. The repatriation restrictions, and any failure or delay in obtaining relevant approvals from Chinese authorities could restrict the relevant portfolio's ability to satisfy all or any redemption requests in respect of any particular redemption date.

Investors in a Fund investing in QFII's portfolio and/or China A-Shares should in particular be informed that the liquidity of securities held by the Fund may be substantially limited and might therefore affect the Fund's ability to meet redemption requests.

The Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. The Fund may suffer substantial losses if the approval of the QFII is being revoked/terminated or otherwise invalidated as the Fund may be prohibited from trading of relevant securities and repatriation of the fund's monies, or if any of the key operators or parties (including QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Chinese Market risk

Risks associated with the Chinese Market are similar to the "Emerging Markets risk" described below. With the government having a greater control over allocation of resources, the risks that

naturally prevail in this type of market is political and legal uncertainty, currency fluctuations and blockage, no government support on reform or nationalisation and expropriation of assets. Such risks can have a negative impact on the performance of the relevant Fund.

The Chinese market is undergoing economic reform, including reforms of decentralisation which are unprecedented or experimental and subject to modification which may not always have a positive outcome on the performance of the economy and the value of securities in the relevant Fund.

The Chinese economy is also export driven and highly reliant on trade. Adverse changes in the economic conditions of its primary trading partners such as the US, Japan and South Korea would adversely impact the Chinese economy and the relevant Fund's investments.

In recent years, political tensions within Hong Kong have risen. Such increased political tensions could have potential impacts on the political and legal structures in Hong Kong. They could also affect investor and business confidence in Hong Kong, which in turn could affect markets and business results.

There are also risk and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains realized on the Fund's investment in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.

Chinese Short Swing Profit Rule risk

Under the Mainland China's regulations on disclosure of interests, a Fund may be deemed to be acting in concert with other funds and accounts managed by the Management Company and/or Investment Manager or their respective affiliates and therefore may be subject to the risk that the Fund's holdings may be required to be reported in the aggregate with the holdings of such other funds and accounts should the aggregate holdings trigger the reporting threshold under the Mainland Chinese law, which is currently 5% of the total issued shares of a listed company. This may expose the Fund's holdings to the public and may potentially have an adverse impact on the performance of the Fund.

In addition, subject to the interpretation of Mainland Chinese courts and Mainland Chinese regulators, the operation of the Mainland China short swing profit rule may be applicable to a Fund's investments with the result that where the holdings of the Fund (possibly with the holdings of other investors deemed as concert parties of the Fund) exceed 5% of the total issued shares of a Mainland Chinese listed company, the Fund may not reduce its holdings in such company within six months of the last purchase of shares of such company. If the Fund violates the rule and sells any of its holdings in such company in the six-month period, it may be required by the listed company to return any profits realised from such trading to the listed company. Moreover, under Mainland China's civil procedures, the Fund's assets may be frozen to the extent of the claims made by such company. The inability to sell such assets and any obligation to return profits may adversely affect the performance of the Fund.

Class Hedging risk

The Company may engage in currency hedging transactions with regards to Hedged Share Classes. Hedging transactions are designed to reduce, as much as possible, the currency risk for investors.

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

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

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

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

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

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

Clearing and Settlement risk

To the extent that a Fund transacts in the CIBM, such Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the relevant Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value. If the clearing house in Mainland China defaults on its obligation to deliver securities/make payment, the Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

Commodities Related Exposure risk

A Fund's exposure to investments in commodities related instruments presents unique risks. Investing in commodities related instruments, including trading in commodities indices and financial derivative instruments related to commodities, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealised); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity.

Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity.

By focusing on the energy or materials sectors some Funds carry greater risks of adverse developments than a Fund that invests in a wider variety of industries. The securities of companies in the energy or materials sectors may experience more price volatility than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors.

Securities of companies involved in the extraction or commerce of energy and materials, such as oil, gas and precious metals, may operate in Countries with less developed markets and legal framework. Such companies may be more prone to risks linked to political instability, changes in taxation or regulation.

Concentration risk

Some Funds may have an investment policy which specifically states an intention to maintain a portfolio with holdings in a relatively limited number of issuers or a concentrated allocation to a given economic sector, market segment or geographical area. By being less diversified, such Funds may be more volatile than broadly diversified Funds, or may be exposed to greater risk since underperformance of one or a few positions, sectors or geographical areas will have a greater impact on the Funds' assets. The relevant Funds may be adversely affected as a result of such greater volatility or risk.

(i) *Single country risk*

Funds which essentially invest or have exposure in only one country will have greater exposure to market, political, legal, economic and social risks of that country than a Fund which diversifies country risk across a number of countries. There is a risk that a particular country may impose foreign exchange and/or conversion controls or regulate in such a way as to disrupt the way the markets in that country operate. The consequences of these actions, and others such as confiscation of assets, could be to hinder the normal operation of such Fund with regard to the purchase and sale of investments and possibly the ability to meet redemptions. Dealing in such Fund may be suspended and investors may not be able to acquire or redeem units in the Fund. Investment in a single country may result in reduced liquidity, greater financial risk, higher volatility and limited diversification, which may have significant impact on the ability of the Fund to purchase or sell investment and possibly the ability to meet redemption requests in a timely manner. In certain countries, and for certain types of investments, transaction costs are higher and liquidity is lower than elsewhere.

(ii) *Single market risk*

Some Funds may invest in a single region, and as a result are subject to higher concentration risk and potentially greater volatility compared to Funds following a more globally diversified policy. In addition, some regions may be dominated by a single country or a few countries, with the result that the Fund's investments may be concentrated to a significant degree in a single country or only a few countries, increasing the potential for volatility to an even greater extent.

(iii) *Single sector risk*

Certain Funds' investments are concentrated in a single sector. The value of the Funds may be more volatile than that of funds having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the sector in which they invest.

Contingent Capital Securities risk

Contingent capital securities, which are also known as contingent convertible securities, are a form of convertible securities where the conversion of the bond into equity occurs at stated conversion rate if a pre-specified trigger event (such as when an issuer's common equity ratio in relation to its regulatory risk-weighted assets falls below a specified level) occurs.

Contingent convertible securities issued by financial institutions ("CoCos"), which became popular following the 2008-2009 financial crisis as a way of mitigating the impact of stressed market conditions, have certain additional characteristics not typical of corporate hybrids. For CoCos, conversion is tied to a pre-specified trigger event based on the capital structure of the financial institution and/or to when the regulator deems the bank to be no longer viable. A contingent convertible bond may convert to equity or, alternatively, may be purely loss absorbing and convert to nothing. Trigger levels may differ from one issue to the next and the risk of conversion will depend on the distance of the capital ratio to the trigger level and/or the point at which the regulator deems the issuer no longer viable (*i.e.*, the bonds are "bail-in-able" at the "point of non-viability" or PONV), making it difficult for the Investment Manager and/or

Sub-Manager(s) of the relevant Fund to anticipate the triggering events that would require the debt to convert into equity or be simply loss absorbing.

It may also be difficult for the Investment Manager and/or Sub-Manager(s) to assess how the securities will behave upon conversion. Because conversion occurs after a specified event, conversion may occur when the share price of the underlying equity is less than when the bond was issued or purchased. Whereas traditional convertible securities are convertible at the option of the holder and the holder of such bonds will generally convert when the share price is higher than the strike price (*i.e.*, when the issuer is doing well), CoCos tend to convert when the issuer is in crisis and needs additional equity or loss absorption in order to survive. As a result, there is greater potential for capital loss with CoCos compared to conventional convertible securities. The trigger could be activated through a material loss in capital as represented in the numerator or an increase in risk weighted assets (due to a shift to riskier assets) as measured in the denominator.

Unlike for corporate hybrids, cancelled coupon payments do not generally accumulate and are instead written off. Holders of CoCos may see their coupons cancelled while the issuer continues to pay dividends on common equity, unlike the case of corporate hybrids which typically have so-called "dividend pusher/stopper clauses" which link the payment of hybrid coupons to equity dividends.

CoCos may suffer from capital structure inversion risk, since investors in such securities may suffer loss of capital when equity holders do not in the event the pre-defined trigger is breached before the regulator deems the issuer non-viable (if the regulator declares non-viability before such a breach, the normal creditor hierarchy should apply). The value of CoCos may be subject to a sudden drop in value should the trigger level be reached. A Fund may be required to accept cash or securities with a value less than its original investment or, in the event of instances where the contingent convertible bond is intended to be only loss absorbing, the Fund may lose its entire investment.

Convertible Securities risk

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

Convertibles are exposed to equity movement and greater volatility than straight bond investments. Investments in convertible securities are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments. The value and performance of Funds which invest in convertible securities may be adversely affected as a result of the risks associated with such investments.

Counterparty risk

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

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

Credit Rating Agency risk

The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

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 (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values.

Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities. Debt securities being downgraded in the midst of high market volatility, may experience reduced liquidity which could lead to a decrease in readily available market value, and the Investment Manager may or may not be able to dispose of the debt instruments being downgraded.

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 incorporating debt or bank loan obligations. Such debt obligations may represent the obligations of one or more corporate issuers. A Fund that invests in credit-linked securities 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.

A Fund that invests in credit-linked securities 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 the opinion of the Investment Manager, and/or Sub-Managers. 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 and/or Sub-Managers 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 Default risks associated with Investments in Mainland China Bonds

Certain Funds are exposed to the credit default risk of issuers of bonds in Mainland China. The issuers may default on their payment obligations or otherwise be unwilling or unable to honor their contractual obligations. The ability of the issuers to satisfy their payment / contractual obligations may be adversely affected by risks inherent in investing in Mainland China, including without limitation economic and political instability, nationalisation, expropriation, government control and intervention, price volatility, and devaluation and fluctuations in RMB. In the event that the issuers default on payment of principal or interest of the bonds that a Fund invests in, the Fund could suffer substantial loss and the Net Asset Value of the Fund could be adversely affected.

Custody risk

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

Debt Securities risk

All Funds that invest in debt securities or Money Market Instruments are subject to interest rate risk, credit risk, default risk and may be exposed to specific risks including but not limited to sovereign risk, high yield securities risk, restructuring risk and risk related to the use of credit ratings.

A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities.

Variable rate securities (which include floating-rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities.

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. Such securities may not be able to make principal payments and may decrease in value and/ or become illiquid.

Sovereign debt securities can be subject to risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt. There are

generally no bankruptcy proceedings for sovereign debt. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. In the event of a default on sovereign debt, a Fund may have limited legal recourse against the defaulting government entity.

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

Some Funds may invest in higher-yielding securities rated lower than investment grade. High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of loss, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally less liquid and their prices fluctuate more than higher-quality securities.

Some Funds may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations (including those involving bankruptcy). Such corporate events could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk.

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

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When a Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates.

Depositary Receipts risk

Depositary receipts are certificates issued typically by a bank or a trust company that give their holders the right to receive securities issued by a foreign or domestic company. Depositary receipts do not eliminate currency, economic and taxation risks relating to the underlying shares, which may adversely affect the Fund.

Derivative Instruments risk

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. A Fund may use options,

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

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

Certain derivatives have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and the risk that the value of the derivative instrument does not fully correlate with the underlying or reference assets (such as credit, currencies and interest rates) so that a Fund may not realise the intended benefits of using derivatives. Their successful use will usually depend on the Investment Manager's and/or Sub-Managers' ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, a Fund may not achieve the anticipated benefits of the transaction, and it may realise losses, which could be significant. If the Investment Manager and/or Sub-Manager is not successful in using such derivative instruments, a Fund's performance may be worse than if the Investment Manager and/or Sub-Manager did not use such derivative instruments at all. To the extent that a Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

A Fund may engage in transactions involving derivative instruments that trade on exchanges or that may be privately negotiated and trade "over-the-counter" (OTC) and not on an exchange. Exchange-traded derivatives include futures, options, options on futures, and warrants. Examples of OTC derivative instruments include currency forwards, interest rate swaps, credit default swaps, total return swaps or contracts for differences. Use of such OTC instruments could result in a loss if the counterparty to the transaction (with respect to forward

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

Financial derivative instruments may be used by some Funds for obtaining a short position with respect to an asset or security. According to the Law of 17 December 2010, the short selling of securities or any physical instrument is not permitted. In order to replicate short exposure either for investment purposes or to hedge a long position in the same or a similar asset, synthetic short selling can be accomplished through the use of derivatives. The purchase of credit default swaps (CDS), for example, for a particular issuer without owning a debt obligation of that issuer effectively results in a Fund having a short exposure to that issuer. A Fund may also purchase credit default swaps to hedge an existing position in the same issuer. Purchasing a put option on a stock, debt obligation, or a currency without owning the stock, debt obligation or currency is also effectively going short (and again such a transaction may be entered into for the purpose of hedging an existing position). The only investment at risk in such strategies is the premium paid for the CDS or option, unlike the case of going short actual stocks, bonds or currencies where the full investment in such assets is at risk. Another synthetic short selling strategy is the selling of interest rate futures which will benefit from a rise in interest rates, thereby replicating going short interest rates. Where premium is paid for such synthetic short selling strategies (*e.g.*, for credit default swaps or put options), there is the possibility of losing the entire investment if no credit event occurs (in the case of credit default swaps) or the option expires worthless (because the underlying asset did not fall below the strike price). Where a futures contract is entered into (*e.g.*, selling interest rate futures), the potential loss is governed by the degree to which interest rates move down instead of up, the conversion factor applied vis-à-vis the basket of eligible securities, the time to delivery, and the notional amount associated with the contract. Additional strategies similar to these may be implemented with similar consequences and potential risks. Risk is mitigated by virtue of daily adjustment of variation margin and/or the maintenance of eligible collateral against the position. There is no assurance that such synthetic short selling strategies as described herein will be as effective in achieving short exposure for investment or hedging purposes as actual short selling strategies.

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

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

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

The value and performance of Funds which engage in transactions involving derivative instruments may be adversely affected as a result of the risks associated with such transactions and/or instruments.

Certain Funds, such as Templeton Global Total Return Fund, may invest in financial derivative instruments whose returns will not be correlated or will have low correlation with the underlying securities positions held by such Funds. As a result, the Funds may experience losses even when there is no loss in the value of the underlying securities positions held by the Funds. The Funds may experience losses from financial derivative instruments that exceed the capital originally invested in said instruments.

Dilution and Swing Pricing risk

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

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

Distressed Securities risk

Investment in distressed securities may cause additional risks for a Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and principal or maintain other terms of the offer documents over any long period of time. Distressed securities are commonly understood as securities issued by companies undergoing financial pressure due to possible bankruptcy, re-structuration, or other financial turmoil. Changing market conditions may have a greater adverse impact on such securities and a portfolio holding substantial amounts of distressed securities may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of interest and principal may involve additional cost for the relevant Fund. Under such circumstances, the returns generated from the relevant Fund's investments may not compensate the shareholders adequately for the risks assumed.

For the purpose of this Explanatory Memorandum, distressed securities are to be understood as including defaulted securities, and securities that are being rated CCC or below by at least 2 ratings agencies, or if unrated, their equivalent and have a credit spread above 1,000 bps. However, with respect to securities with a credit spread higher than 1000 bps (irrespective of their credit rating), the Investment Manager will proceed to additional analyses and verifications notably based on the evolution of the security's credit spread and the rating provided by other credit agencies in order to assess whether this security should be requalified as a distressed security. This procedure is further described in the Management Company's risk management process.

Distribution risk

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

Dividend-paying Equity risk

There can be no guarantee that the companies that a Fund invests in and which have historically paid dividends will continue to pay dividends or to pay dividends at the current rates in the future. The reduction or discontinuation of dividend payments may have a negative impact on the value of the Fund's holdings and consequently, the Fund/investors may be adversely impacted.

Dividend Policy risk

Certain Funds, particularly those that pursue investment strategies seeking to generate income, may have a dividend policy allows for payment of dividends out of capital as well as from

income and net realised and net unrealised capital gains. Where this is done, while it may allow for more income to be distributed, it also amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. This has the effect of reducing capital and the potential for long-term capital growth as well as increasing any capital losses. Examples of when this may occur include:

- if the securities markets in which the Fund invests were sufficiently declining so that the Fund has incurred net capital losses; and
- if dividends are paid gross of fees and expenses such that fees and expenses are paid out of net realised and net unrealised capital gains or initially subscribed capital.

Any distributions involving payment of dividends out of the Fund's capital or payment of dividends effectively out of the Fund's capital (if the Fund is in a net capital loss position) may reduce capital growth and may result in an immediate reduction of the net asset value per share.

The distribution amount and Net Asset Value of a hedged share class may be adversely affected by differences in the interest rates of the reference currency of the hedged share class and the Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged share classes.

Share classes with "pc" in their names are distribution share classes designed to offer, under normal market conditions, dividend distribution at a fixed percentage of the Net Asset Value per Share. This may result in such share classes either paying out both income and capital in distribution payments, or not substantially distributing all the investment income which a share class has earned. Investments in these share classes are not an alternative to a savings account or fixed interest paying investment. The percentage of distributions paid by such share classes is unrelated to expected or past income or returns of these share classes or the relevant Fund. The distribution can thus be higher or lower than the income and return that were effectively realized. Such share classes may continue to distribute in periods that the relevant Fund has negative returns or is making losses, which further reduces the Net Asset Values of such share classes. In extreme circumstances, investors may not be able to get back the original investment amount.

Investors should note that a positive distribution yield does not imply a positive return. Also, distribution share classes with "pc" in their names do not distribute a fixed amount and the constant percentage of distribution results in higher absolute distributions when the Net Asset Value of the relevant share class is high, and lower absolute distributions when the Net Asset Value of the relevant distribution share class is low.

Emerging Markets risk

All Fund investments in the securities issued by corporations, governments, and government related entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities

at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; and (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in emerging markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in emerging markets may be substantially smaller than with comparable securities in industrialised countries.

In particular, in respect of high-risk emerging market countries, the Net Asset Value, the marketability and the returns derived from a particular Fund's investments may be significantly affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation and interest rates, currency conversion and repatriation, and other political, economic, legislative or regulatory developments in emerging markets and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level of foreign ownership. All of these events may adversely affect the overall investment climate and, in particular investment opportunities for the relevant Fund. The denomination "Emerging Markets" covers a wide range of countries with differing economic and political situations. A degree of portfolio concentration in high-risk emerging market countries will entail greater exposure to the risks described above for a given portfolio.

Environmental, Social and Governance Investment risk

(i) Lack of standardized taxonomy

ESG evaluation methodologies and the way in which the Fund(s) that use ESG criteria will apply such criteria may vary. The Investment Manager will use its own methodologies and involve subjective judgement in analyzing and evaluating the ESG scoring of a security or its issuer. There is a risk that the Investment Manager may not apply the relevant ESG criteria correctly or that a Fund may have indirect exposure to issuers who do not meet the relevant ESG criteria used by the Fund.

(ii) Subjective judgment in investment selection

ESG investing is to a degree subjective and there is no guarantee that all investments made by the Fund will reflect the beliefs or values of any particular investor. ESG based exclusionary criteria will be used in the Fund's investment policy, and certain sectors may be excluded, including fossil fuel producers, producers of controversial weapons (*i.e.*, anti-personnel mines, nuclear weaponry, biological & chemical weaponry and cluster munitions) and companies that generate 10% or more of their revenues from tobacco, or more than 5% of revenues from conventional weapons or nuclear power generation. The relevant exclusions, however, might not correspond directly with investors' own subjective ethical views.

(iii) Reliance on third party ESG providers

In evaluating a security or issuer based on ESG criteria, the Investment Manager is dependent upon information and data from third party ESG providers, which may be incomplete,

inaccurate or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess a security or issuer. There is also a risk that the Investment Manager may not apply the relevant ESG criteria correctly or that a Fund could have indirect exposure to issuers who do not meet the relevant ESG criteria used by such Fund. Neither the Funds, the Company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of such ESG assessment.

(iv) Concentration in investments with ESG focus

The Fund(s) that use ESG criteria may over-weigh / under-weigh certain sectors and perform differently than funds that have similar objectives but do not integrate ESG criteria when selecting securities. ESG based exclusionary criteria used in a Fund's investment policy may result in the Fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their ESG characteristics when it might be disadvantageous to do so. Some companies that have been selected by incorporating ESG factors may be exposed to risks that policymakers change the regulatory support for climate change initiatives, including reducing financial support and/or tax incentives at a time when it may have a significant impact on a company's business.

Equity risk

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

Europe and Eurozone risk

Some Funds may invest in Europe and the Eurozone. Mounting sovereign debt burdens (e.g. any sovereigns within the Eurozone, which default on their debts, may be forced to restructure their debts and faced difficulties in obtaining credit or refinancing) and slowing economic growth among European countries, combined with uncertainties in European financial markets, including feared or actual failures in the banking system, the possibility for one or more countries to withdraw from the European Union, including the United Kingdom, which is a significant market in the global economy, and the possible break-up of the Eurozone and Euro currency, may adversely affect interest rates and the prices of both fixed income and equity securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe. The aforesaid economic and financial difficulties in Europe may spread across Europe and as a result, a single or several European countries may exit the Eurozone or a sovereign within the Eurozone may default on its debts. In any event of the break-up of the Eurozone or Euro currency, the relevant Funds may be exposed to additional operational or performance risks.

While the European governments, the European Central Bank, and other authorities are taking measures (e.g. undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions, these measures may not have the desired effect and therefore the future stability and growth of Europe is uncertain. The performance and value of the relevant Funds may be adversely affected should there be any adverse credit events (e.g. downgrade of the sovereign credit rating or default or bankruptcy of any Eurozone countries).

Floating Rate Corporate Investment risk

The floating rate corporate loans and corporate debt securities in which the Fund invests are often issued in connection with highly leveraged transactions. Such transactions include leveraged buyout loans, leveraged recapitalisation loans, and other types of acquisition financing. Leveraged buyout loans are subject to greater credit risks than other investments including a greater possibility that the borrower may default or enter bankruptcy. Some of these loans may be "covenant lite" loans which do not include terms which allow the lender to control and track the performance of the borrower and declare a default if certain criteria are breached.

Foreign Currency risk

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

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

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

Currency management strategies, including the use of currency forwards, cross currency forwards and currency futures contracts, may substantially change a Fund's exposure to currency exchange rates and could result in losses to the Fund if the currencies do not perform as the Investment Manager expects. In addition, currency management strategies, to the extent that they reduce the Fund's exposure to currency risks, may also reduce the Fund's ability to benefit from favorable changes in currency exchange rates. There is no assurance that the Investment Manager's use of currency management strategies will benefit the Fund or that they

will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to the Fund's holdings, further increases the Fund's exposure to foreign investment losses.

Investors should be aware of the fact that the Chinese Renminbi (RMB) is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is freely tradable. While the RMB is traded freely outside Mainland China, the RMB spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving market. Accordingly, Funds with investments denominated in RMB (if any) may be exposed to greater foreign exchange risks. The value and performance of the relevant Fund may be adversely affected as a result.

Holders of Alternative Currency Classes are subject to certain additional currency risks. The total return ultimately realized by a holder of Shares of an Alternative Currency Class will be directly affected, either positively or negatively, by changes in the exchange rate between the currency of denomination of the Alternative Currency Class and the base currency of the Fund. The Company does not currently intend to hedge the currency risks to which Alternative Currency Classes are exposed, except for Hedged Share Classes.

FATCA Withholding Tax risk

Although the Company will endeavour to satisfy any obligations imposed on it to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the FATCA regime, its Net Asset Value may be adversely affected and Shareholders may suffer substantial losses as a result.

Frontier Markets risk

Investments in emerging market countries involve risks as set out in the section "Emerging Markets risks" above. Investments in frontier markets involves risks similar to investments in emerging markets but to a greater extent because 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.

General Investment risk

The Fund's investment portfolio may fall in value due to any of the key risk factors as disclosed and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.

Geographical Concentration risk

The Fund's investments may be concentrated in the US. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US market.

Gold and Precious Metals Sector risk

Some Fund's investments may concentrate in gold and other precious metals (particularly platinum and palladium) operations companies. By concentrating in the industries in a single sector, such Funds carry a much greater risk of adverse developments than a fund that invests in companies from a wide variety of industries. Also, there currently are a limited number of platinum and palladium operations companies, which restricts such Funds' ability to diversify their investments in those metals.

The price of gold and precious metals operations companies is strongly affected by the price of gold and other precious metals such as platinum, palladium and silver. These prices may fluctuate substantially over short periods of time, so the Share price may be more volatile than other types of investments.

The price of gold and other precious metals is affected by such factors as: (1) how much of the worldwide supply is held by large holders, such as governmental bodies and central banks; for example, if Russia or another large holder decided to sell some of its gold or other precious metals reserves, the supply would go up, and the price would generally go down; (2) unpredictable monetary policies and economic and political conditions in countries throughout the world; and (3) demand for gold bullion as an investment; including in bar form and underlying assets for exchanged-traded funds.

The price of gold and precious metals operations companies is also affected by (1) environmental, labour, and other costs in mining and production; (2) labour disruptions; (3) operational issues and failures, such as damage to mines as a result of accidents; (4) access to reliable energy supplies; and (5) changes in laws relating to mining, production, or sales. As the Franklin Gold and Precious Metals Fund may invest its assets in the securities of mining companies, investors should note that mining operations have varying expected life spans. Securities of mining companies that have mines with a short expected life span may experience greater price volatility than those that have a long expected life span.

In times of significant inflation or great economic uncertainty, traditional investments such as bonds and stocks may not perform well. In such times, gold and other precious metals have historically maintained their value as hard assets, often outperforming traditional investments. However, in times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the value of gold and other precious metals may be adversely affected, which could in turn affect the Fund's returns.

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. The Funds may be adversely affected by the greater volatility of investments in such stocks.

Hybrid Bonds risk

Hybrid securities are those that, like convertible securities, combine both debt and equity characteristics. Hybrids may be issued by corporate entities (referred to as corporate hybrids) or by financial institutions (commonly referred as contingent convertible bonds or "CoCos"). Hybrid securities are subordinated instruments that generally fall in the capital structure between equity and other subordinated debt (*i.e.*, such securities will be the most junior securities above equity). Such securities will generally have a long maturity and may even be perpetual in nature. Coupon payments may be discretionary and as such may be cancelled by the issuer at any point, for any reason, and for any length of time. The cancellation of coupon payments may not amount to an event of default. Hybrid securities are callable at pre-determined levels. It cannot be assumed that hybrid securities, including perpetual securities, will be called on the call date. The investor may not receive return of principal on a given call date or on any date. The value and performance of Funds which invest in hybrid securities may be adversely affected as a result of the risks associated with such investments.

Initial Public Offerings risk

Some Funds may invest in initial public offerings ("IPOs"). IPO risk is the risk that the market values of IPO shares may experience high volatility from factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. Additionally, a Fund may hold IPO shares for a very short period of time, which may increase a Fund's expenses. Some investments in IPOs may have an immediate and significant impact on a Fund's performance.

Investment Objectives risk

There can be no assurance that the Fund's primary or secondary investment objective(s) will be attained. The Fund may not achieve a high level of current income (primary objective) or capital appreciation over the long term (secondary objective). In seeking to achieve the Fund's primary objective, there will be times when the Fund may be exposed to the risk of loss of capital. Failure to achieve investment objective(s) can adversely affect and/or result in a substantial loss to the Fund.

Legal and regulatory risk

The Funds must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions, including the Grand Duchy of Luxembourg.

The interpretation and application of legislative acts can be often contradictory and this may impact the enforceability of the various agreements and guarantees entered into by the Funds. Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public. The interpretation and application of laws and regulations can be often contradictory and uncertain particularly in respect of matters relating to taxation.

Courts may not adhere to the requirements of the law and the relevant contract and it cannot be guaranteed that any recourse or judgment obtained in a foreign court will be enforced in certain jurisdictions where the assets relating to securities held by the Funds are located.

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. The value and performance of the Fund may be adversely affected as a result.

Loan Credit Derivatives risk

The value and performance of Funds which engage in transactions involving derivative instruments may be adversely affected as a result of the risks associated with such transactions and/or instruments, as well as the risks arising from the Funds' exposure to the underlying assets through such instruments. For example, a Fund may be indirectly exposed to bank loans through investing in loan credit derivatives. When the Fund invests in a loan credit derivative, it assumes the risks associated with the derivative instrument and the credit risk of the underlying loan. These risks may result in a substantial loss to the Fund.

Mainland China Tax risk

There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains realized on the relevant Funds' disposals of the fixed income securities traded on the CIBM (which may have retrospective effect). Any changes in the Mainland Chinese tax law, future clarifications thereof, and/or subsequent retroactive enforcement by the Mainland Chinese tax authorities of any tax may result in a material loss to the relevant Funds. Currently, no tax provision is made on the capital gains from the relevant Funds' investments in the CIBM. The Management Company, the relevant Investment Manager and/or the relevant Sub-Manager will keep the provisioning policy for tax liability under review, and may, in their discretion from time to time, make a provision for potential tax liabilities, if in their opinion such provision is warranted, or as further clarified by the Mainland Chinese authorities in notifications. If tax provision has been made by the relevant Funds, any shortfall between the provision and the actual tax liabilities, which will be debited from the relevant Funds' assets, will adversely affect the relevant Funds' Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

Market risk

The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer, a particular industry or sector, such as changes in production costs and competitive conditions within an industry or a specific country. Unexpected events such as natural or environmental disasters (earthquakes, fires, floods, hurricanes, tsunamis) and other severe weather-related phenomena generally, or widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies of individual companies, sectors, industries, nations, markets and adversely impacting currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Fund's investments. Given the interdependence among global economies and markets, conditions in one country, market, or region are likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries. These disruptions could prevent the Fund from executing advantageous investment decisions in a timely manner and could negatively impact the Fund's ability to achieve its investment objective.

During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance. All investments in financial markets may decrease in value. The value and performance of the Fund may be adversely affected as a result.

Natural Resources Sector risk

By focusing on the natural resources sector, some Funds carry much greater risks of adverse developments than a Fund that invests in a wider variety of industries. The securities of companies in the natural resources sector may experience more price volatility than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors. As a result, companies in the natural resources sector often have limited pricing power over supplies or for the products they sell which can affect their profitability.

Concentration in the securities of companies with substantial natural resource assets will expose these Funds to the price movements of natural resources to a greater extent than a more broadly diversified mutual fund. There is the risk that those Funds will perform poorly during an economic downturn or a slump in demand for natural resources.

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.

Participatory Notes risk

Participatory notes, also known as P-Notes, are financial instruments that may be used by some Funds (such as the Templeton Asian Smaller Companies Fund and Templeton Global Equity Income Fund) to obtain exposure to an equity investment, including common stocks and warrants, in a local market where direct ownership is not allowed. Investment in participatory notes may involve an OTC transaction with a third party. Therefore, Funds investing in participatory notes may be exposed not only to movements in the value of the underlying equity, but also to the risk of counterparty default, which may in the event of counterparty default result in a substantial loss to the Fund.

Portfolio Turnover risk

The Investment Manager and/or Sub-Managers of a Fund may sell a security or enter into or close out of a derivative position when it believes it is appropriate to do so, regardless of how long the Fund has held the instrument. These activities increase a Fund's portfolio turnover and may increase the Fund's transaction costs.

Preferred Securities risk

An investment in preferred securities involves additional risks that are not typically associated with an investment in common stocks. Generally, holders of preferred securities have no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may have the right to elect a number of directors to the issuer's board. Generally, once the issuer pays all the arrearages, the preferred security holders no longer have voting rights. In certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. A special redemption by the issuer may negatively impact the return of the security held by the Fund. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions

for a stated period without any adverse consequences to the issuer. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments. Preferred securities may be substantially less liquid than many other securities, including common stocks.

Some Funds may invest in trust-preferred securities. Generally, distributions on trust-preferred securities will be made only if interest payments on the related interest-bearing notes of the operating company are made. Because a corporation issuing the interest-bearing notes may defer interest payments on these instruments for consecutive periods, if such election is made distributions will not be made on the trust-preferred securities during the deferral period. Further, certain tax or regulatory events may trigger the redemption of the interest-bearing notes by the issuing corporation and result in prepayment of the trust-preferred securities prior to their stated maturity date. The value and performance of the Fund may be adversely affected as a result.

Private Placement Securities risk

Some Funds may invest in private placement securities. A private placement is a direct private offering of securities to a limited number of sophisticated investors. Investment in privately placed securities may be less liquid than in comparable public issues. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by the relevant Fund or less than what may be considered the fair value of such securities. Further, investments in privately placed securities may be on the basis of limited information about the issuer and its management and may be without the disclosure and other investor protection requirements that apply to publicly traded securities. The value and performance of Funds which invest in privately placed securities may be adversely affected as a result of the risks associated with such investments.

Real Assets risk

Funds investing in real assets securities, or securities linked to real assets, will be subject to specific risks linked to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. Real Assets markets performance may show little correlation to equity and bond markets. There is a risk that funds investing in real assets may perform poorly in an otherwise favourable economic environment.

The value and performance of Funds which invest in securities linked to real estate indices or a basket of real estate securities may be adversely affected as a result of the risks associated with such investments.

Securities of real estate investment trusts ("REITs") may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT's performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay a rent or poor management. A REIT's performance also depends on the company's ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to

adverse developments affecting a single project or market segment than more broadly diversified investments.

Securities of infrastructure companies are securities of companies whose primary business is in infrastructure-related activities, including the design, construction, operation or maintenance of seaports, airports, railways, roadways, pipelines, energy generation facilities (coal, oil, nuclear, hydro or solar powered), electricity transmission, water treatment plants, or related activities to these businesses. Such companies may experience volatility due to challenges such as getting the necessary permits, obtaining environmental clearances, meeting regulatory standards, requirements or guidelines, or being impacted by the level of economic activity, weather, natural disasters, governmental actions, civil disturbances, or acts of terrorism. By virtue of being concentrated in this one sector, a Fund may experience greater volatility compared to funds that follow a more diversified investment policy.

The REITs that a Fund may invest in or be exposed to may not necessarily be authorised by the SFC under the Code on Real Estate Investment Trusts. An investment in a Fund that invests in REITs extensively (such as the Franklin Global Real Estate Fund) or on an ancillary basis is not equivalent to an investment in a REIT. In addition, the dividend policy of a Fund which invests in or is exposed to REITs may be not representative of the dividend/payout policy of the underlying REITs.

Repurchase and Reverse Repurchase Transactions risk

The entering by the Company into repurchase transactions or reverse repurchase agreements, as contemplated in the section "INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments" involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that (1) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (2) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (3) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this Explanatory Memorandum.

The collateral received by a Fund in respect of repurchase agreements transactions may be cash, US Government or Agency Treasury bills, Treasury notes or Treasury bond supported by the full faith and credit of the US government or EU Government or Agency (including supranational agencies) bonds. Any incremental income generated from repurchase agreement transactions will be accrued to the relevant Fund.

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

Restructuring Companies risk

Some Funds, especially the Franklin High Yield Fund, the Franklin Strategic Income Fund, the Franklin Mutual U.S. Value Fund, the Franklin Mutual European Fund, the Franklin Mutual Global Discovery Fund, the Franklin Euro High Yield Fund and the Templeton Global High Yield Fund may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations (including those involving bankruptcy) 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. The companies involved in reorganisation or financial restructuring tend to have a relatively weak financial position and may also be subject to the risks that the restructuring could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk. The value and performance of the Funds may be adversely affected as a result.

Risk of Default of Agents

For investments via the Bond Connect, the relevant filings, registration with People's Bank of China ("PBOC") and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the relevant Funds are subject to the risks of default or errors on the part of such third parties.

Risk of Difference in Trading Days between Markets via the Bond Connect

Due to differences in public holidays between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours in the markets accessible through the Bond Connect. The Bond Connect will only operate on days when those markets are open for trading and when banks in those markets are open on the corresponding settlement days. As such, it is possible that there are occasions when it is a normal trading day for the CIBM market in Mainland China but it is not possible to carry out any Bond Connect securities trading in Hong Kong.

Risks associated with Investments in Debt Instruments with Loss-Absorption Features

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger events (e.g. when the issue is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments. In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk. The Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The Fund may

also invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks associated with the CIBM Direct

Investing in the CIBM via the CIBM direct is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via the CIBM direct are subject to change which may have potential retrospective effect. In the event that the relevant authorities in Mainland China suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected.

The CIBM direct is the PRC investment program revised in 2016 under which certain foreign institutional investors such as the Company and the Funds may invest, without particular license or quota, directly in RMB fixed income securities dealt on the CIBM via an onshore bond settlement agent which will have the responsibility for making the relevant filings and account opening with the relevant PRC authorities in particular the PBOC.

Participation in the CIBM direct by foreign institutional investors (such as the Company) is governed by rules and regulations as promulgated by the Mainland Chinese authorities, *i.e.* the PBOC and State Administration of Foreign Exchange in China ("**SAFE**"). Such rules and regulations may be amended from time to time (with retrospective effect) and include (but are not limited to):

(i) the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016;
(ii) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" issued by the Shanghai Head Office of PBOC on 27 May 2016;
(iii) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" issued by SAFE on 27 May 2016; and
(iv) any other applicable regulations promulgated by the relevant authorities.

The CIBM direct rules and regulations are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. In addition, there can be no assurance that the CIBM direct rules and regulations will not be abolished in the future. A Fund, which invests in the PRC markets through the CIBM direct, may be adversely affected as a result of any such changes or abolition.

Restrictions to remittances and repatriations risk

Investing via the CIBM direct is also subject to certain restrictions imposed by the PRC authorities on fund remittance and repatriation which may potentially affect the Fund's performance and liquidity. Any non-compliance with or failure to meet the fund remittance and

repatriation requirements may result in regulatory sanctions which in turn may have an adverse impact on the portion of the Fund's investment via the CIBM direct. Further, there is no assurance that the fund remittance and repatriation requirements in relation to the CIBM direct will not be changed as a result of change in government policies or foreign exchange control policies. The Fund may incur loss in the event such change in the fund remittance and repatriation requirements in relation to investment via the CIBM direct occurs.

Foreign investors (such as the Company) may remit investment principal in RMB or foreign currency into the PRC for investing in the CIBM under the CIBM direct. A Fund using the CIBM direct will need to remit investment principal matching at least 50% of its anticipated investment size within nine (9) months after filing with the PBOC, or else an updated filing will need to be made through the onshore Bond Settlement Agent.

Where a Fund repatriates funds out of the PRC, the ratio of RMB to foreign currency ("**Currency Ratio**") should generally match the original Currency Ratio when the investment principal was remitted into PRC, with a maximum permissible deviation of 10%. However, to the extent an outward repatriation is in the same currency as the inward remittance the Currency Ratio restriction will not apply.

Certain restrictions may be imposed by the PRC authorities on investors participating in the CIBM direct and/or the Bond Settlement Agent which may have an adverse effect on the Fund's liquidity and performance. Repatriations conducted in RMB are currently permitted daily and are not subject to repatriation restrictions (such as lock-up periods) or prior approval, although authenticity and compliance reviews will be conducted, and reports on remittances and repatriations will be submitted to the relevant PRC authorities by the Bond Settlement Agent. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Furthermore, as the Bond Settlement Agent's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the Bond Settlement Agent in case of non-compliance with the CIBM direct rules and regulations. Any restrictions imposed in the future by the PRC authorities, or rejection or delay by the Bond Settlement Agent, on repatriation of the invested capital and net profits may impact on the Fund's ability to meet redemption requests from the shareholders. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control.

In order to participate in the CIBM direct, the Investment Manager filed an application through the Bond Settlement Agent to the PBOC, specifying among other things the anticipated volume of investment to be made through the CIBM direct. In the event the anticipated volume of investment is reached, a further filing for an increase will need to be made through the Bond Settlement Agent with the PBOC. There can be no assurance that such increase will be accepted by the PBOC which may result in a need to close any Fund investing through the CIBM direct to further subscriptions.

Securities and cash accounts

Onshore PRC securities are registered in the name of "the full name of the investment manager – the name of the Fund" in accordance with the relevant rules and regulations, and maintained by the Bond Settlement Agent in electronic form via a securities account with the China Central Depository & Clearing Co (CCDC)/Shanghai Clearing House (SCH) and onshore cash will be maintained on a cash account with the Bond Settlement Agent.

A separate filing per Fund wishing to invest through the CIBM direct will be made to the PBOC to allow the individual beneficial ownership of a Fund to be identified. Beneficial ownership of RMB securities acquired through CIBM direct has been acknowledged in the FAQ published by the PBOC on 30 May 2016, and by the PRC authorities in the context of RQFII and Stock Connect in the past in relation to other products. Beneficial ownership is however an untested concept in the PRC.

Investors should note that cash deposited in the cash account of the Fund with the Bond Settlement Agent will not be segregated but will be a debt owing from the Bond Settlement Agent to the Fund as a depositor. Such cash will be co-mingled with cash belonging to other clients of the Bond Settlement Agent. In the event of bankruptcy or liquidation of the Bond Settlement Agent, the Fund will not have any proprietary rights to the cash deposited in such cash account, and the Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the Bond Settlement Agent. The Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Fund will suffer losses.

Bond Settlement Agent risk

There is a risk that the Fund may suffer losses, whether direct or consequential, from: (i) the acts or omissions in the settlement of any transaction or in the transfer of funds or securities by the Bond Settlement Agent; or (ii) the default or bankruptcy of the Bond Settlement Agent; or (iii) the disqualification of the Bond Settlement Agent from acting in such capacity either on a temporary or permanent basis. Such acts, omissions, default or disqualification may also adversely affect a Fund in implementing its investment strategy or disrupt the operations of a Fund, including causing delays in the settlement of any transaction or the transfer of any funds or securities in the PRC or in recovering assets, which may in turn adversely impact the Net Asset Value of a Fund.

In addition, the PBOC is vested with the power to impose regulatory sanctions if the Bond Settlement Agent violates any provision of the CIBM direct rules. Such sanctions may adversely impact on the investment by the Fund through the CIBM direct.

RMB Currency and Conversion risk

RMB is currently not freely convertible and is subject to exchange controls and restrictions.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example USD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Russian and Eastern European Markets risk

Securities of issuers in Russia, countries of Eastern Europe as well as the New Independent States such as Ukraine and the countries under the influence of the former Soviet Union in the past involve significant risks and special considerations, which are not typically associated with investing in securities of issuers in the EU Member States and the United States of America. They are additional to the normal risks inherent in any such investments and include political, economic, legal, currency, inflation and taxation risks. For example there is a risk of loss due to lack of adequate systems for transferring, pricing, accounting for and safekeeping or record keeping of securities.

In particular, the Russian market presents a variety of risks in relation to the settlement and safekeeping of securities. These risks result from the fact that physical securities do not exist; as a consequence, the ownership of securities is evidenced only on the issuer's register of shareholders. Each issuer is responsible for the appointment of its own registrar. The result is a broad geographic distribution of several hundred registrars across Russia. Russia's Federal Commission for Securities and Capital Markets (the "Commission") has defined the responsibilities for registrar activities, including what constitutes evidence of ownership and transfer procedures. However, difficulties enforcing the Commission's regulations mean that the potential for loss or error still remains and there is no guarantee that the registrars will act according to the applicable laws and regulations. Widely accepted industry practices are actually still in the process of being established. When registration occurs, the registrar produces an extract of the register of shareholders as at that particular point in time. Ownership of shares is vested in the records of the registrar but is not evidenced by the possession of an extract of the register of shareholders. The extract is only evidence that registration has taken place. However, the extract is not negotiable and has no intrinsic value. In addition, a registrar will typically not accept an extract as evidence of ownership of shares and is not obliged to notify the Depositary or its local agents in Russia, if or when it amends the register of shareholders. Russian securities are not on physical deposit with the Depositary or its local agents in Russia. Similar risks apply in respect of the Ukrainian market.

Therefore, neither the Depositary nor its local agents in Russia or in Ukraine can be considered as performing a physical safekeeping or custody function in the traditional sense. The registrars are neither agents of, nor responsible to, the Depositary or its local agents in Russia or in Ukraine. The Depositary's liability only extends to its own negligence and wilful default and to that caused by negligence or wilful misconduct of its local agents in Russia or in Ukraine, and does not extend to losses due to the liquidation, bankruptcy, negligence or wilful default of any registrar. In the event of such losses the Company will have to pursue its rights directly against the issuer and/or its appointed registrar.

However, securities traded on the Moscow Exchange MICEX-RTS can be treated as investment in securities dealt on a Regulated Market.

In April 2013, Russia implemented the new National Settlement Depository ("NSD") as Russia's central securities depository ("CSD") in an effort to overhaul its share registration system. The NSD is regulated by Russia's securities regulator, the Federal Service for Financial Markets ("FSFM"). The Depositary has confirmed that all Funds' positions of eligible securities were moved to the NSD.

The implementation of the NSD as Russia's CSD has alleviated the major concerns associated with the use of Russia's previous share registrar system. All Russian securities transfers and settlements are now required to take place on the CSD system which has specific rules on the finality of these transactions. As a result, all securities transactions are recorded in one central system and not merely in the books of various private registrars.

Securitisation risk

A securitisation, as defined in the article 2 of Regulation (EU) 2017/2402 of the European Parliament and of the council of 12 December 2017 is a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is tranched, having all of the following characteristics: (i) payments in the transaction or scheme are dependent upon the performance of the exposure or of the pool of exposures; (ii) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; (iii) the transaction or scheme does not create exposures which possess all of the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013.

Securitisation encompasses a wide-range of assets including "Asset-backed Securities", "Collateralised Debt Obligations" and "Mortgage-backed Securities".

A Securitisation is composed of multiple tranches, usually spanning from the equity tranche (highest risk) to the senior tranche (the lowest risk). The performance of each tranche is determined by the performance of the underlying assets or "collateral pool".

The collateral pool can encompass securities with different credit qualities, including high-yield securities and junk bonds, and the credit rating of the tranche is not reflective of the quality of the underlying assets.

Mortgage-backed securities differ from conventional debt securities in that principal is paid back over the life of the security rather than at maturity, as the underlying mortgages are subject to unscheduled pre-payments of principal before the security's maturity date due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid over par at the time of purchase. Mortgage pre-payments generally increase when interest rates fall.

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

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

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

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

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

Collateralised Loan/Debt Obligations (CLOs/CDOs) are similar to ABS/MBS type of securities. The main difference being the nature of the collateral pool, which is not constituted of debt securities or mortgages but rather leveraged loans issued by corporates.

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

Securities Lending risk

The entering by the Company into securities lending transactions, as contemplated in the section “INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments” involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that in case of default, bankruptcy or insolvency of the borrower of securities lent by a Fund, there is a risk of delay in recovery (that may restrict the ability of a Fund to meet delivery obligations under security sales or payment obligations arising from redemption requests) or even loss of rights in collateral received, which risks are mitigated by a careful creditworthiness analysis of borrowers to determine their degree of risk for said borrowers to become involved in insolvency/bankruptcy proceedings within the timeframe contemplated by the loan. If the borrower of securities lent by a Fund fails to return these securities, there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral or the illiquidity on the market in which the collateral is traded.

A Fund may reinvest the cash collateral received from borrowers. There is a risk that the value or return of the reinvested cash collateral may decline below the amount owed to those borrowers, and those losses may exceed the amount earned by the Fund on lending the securities. This may result in a substantial loss to the Fund.

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 Shenzhen-Hong Kong Stock Connect (together referred to as "**Stock Connect**"). Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked program 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.

The Stock Connect comprises two Northbound Trading Links, one between SSE and Stock Exchange of Hong Kong Limited ("**SEHK**"), and the other between SZSE and SEHK, by which certain Funds may be able to place orders to trade eligible China A-Shares listed on the SSE ("**SSE Securities**") or on the SZSE ("**SZSE Securities**") (the SSE Securities and SZSE Securities collectively 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 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 capitalization 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 the Stock Connect is available online at the website:

www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/Information-Book-for-Investors/Investor_Book_En-v2.pdf

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, differences in trading day, restrictions on selling imposed by front-end monitoring, clearing, settlement and custody risks, operational risk, nominee arrangements in holding China A-Shares, investor compensation, trading costs, Mainland China tax consideration, regulatory risk and ChiNext risk.

Quota limitations

The Stock Connect is subject to quota limitations on investments, which may restrict the relevant Funds' ability to invest in China A-Shares through the Stock Connect on a timely basis, and these Funds may not be able to effectively pursue their investment policies. In particular, once the Northbound daily quota is reduced to zero or the Northbound daily quota is exceeded during the opening call session, new buy 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 reserves the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently. In case of a suspension, the relevant Funds' ability to access the Mainland China market will be adversely affected.

Differences in trading day

The Stock Connect only operates on days when both the 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 the 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 the periods when the 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 SZSE and SSE 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, a wholly-owned subsidiary of HKEx ("**HKSCC**") and ChinaClear established 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 Mainland China's 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 a 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 the Stock Connect is available upon request at the office of the Hong Kong Representative.

Operational risk

The Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program 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 program 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 program 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 program 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 the 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 the 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 Stock Connect 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 the 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 the 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 the relevant 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 relevant 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 the 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 the 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.

The 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 the 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 the Stock Connect will not be abolished. The relevant Funds which may invest in Mainland China markets through Stock Connect may be adversely affected as a result of such changes.

ChiNext risk

The ChiNext board of SZSE is a hi-tech board comprising issuers at an early stage of development. Historically, stocks listed on ChiNext are generally considered to be overvalued and their exceptionally high valuation may not be sustainable. Major index compilers, when compiling their A share indices, usually exclude the stocks listed on the ChiNext market. As such, the performance of A share indices may not reflect the performance of stocks listed on ChiNext.

As the companies listed on the ChiNext market usually have a smaller scale and shorter operating history, the stock prices of ChiNext-listed companies are generally more volatile than that of the companies listed on the main board and the small and medium enterprise ("**SME**") board of SZSE. Additionally, the rules and regulations in relation to the issuance and listing of the securities in the ChiNext market are less stringent in terms of profitability and share capital than those in the main board market and SME board market of SZSE. This means that ChiNext-listed companies are generally less resistant to market risks and more susceptible to suspension and delisting. A delisting or suspension may render it impossible for an investor to liquidate its positions and expose the investor to significant losses.

Smaller and Midsize Companies risk

While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

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.

The value and performance of Funds which invest in smaller and midsize companies may be adversely affected as a result of the risks associated with such investments.

Structured Notes risk

Some Funds may invest in structured notes (including credit-linked notes). Structured notes such as credit-linked notes, equity-linked notes and similar notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike financial derivative instruments, cash is transferred from the buyer to the seller of the note. Investment in these instruments may cause a loss if the value of the underlying security decreases. There is also a risk that the note issuer will default. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customized. The liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument as the secondary market may not exist, and this may adversely affect the Fund's ability to sell the position or the price at which such a sale is transacted.

Sukuk risk

Some Funds may invest in sukuk. Sukuk are a type of Shariah compliant debt security and are generally subject to the risks associated with debt securities, such as credit risk and liquidity risk.

Price changes in Sukuk are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. Sukuk could suffer when capital market interest rates rise, while they could increase in value when capital market interest rate fall. The price changes also depend on the term or residual time to maturity of the Sukuk. In general, Sukuk with shorter terms have less price risks than Sukuk with longer terms. However, they generally have lower returns and, because of the more frequent due dates of the securities portfolios, involve higher re-investment costs.

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

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

Funds investing in Sovereign Sukuk issued by governments or government related entities from countries referred to as emerging or frontier markets bear additional risks linked to the specifics of such countries (e.g. currency fluctuations, political and economics uncertainties, repatriation restrictions, etc).

Sukuk are also subject to the risk of being reclassified as Shariah non-compliant. Such reclassification may affect the price and liquidity of the sukuk that is held by a Fund, which may adversely affect the value and performance of the Fund.

Sustainability risk

The Investment Manager considers that sustainability risks are relevant to the returns of the Fund. The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the Fund and may also cause the Fund to sell investments that will continue to perform well.

Appreciation of sustainability risk is to a degree subjective and there is no guarantee that all investments made by the Fund will reflect beliefs or values of any particular investor on sustainable investments.

A sustainability risk could materialise as the occurrence of an environmental, social or governance event or condition causing material negative impact on the value of one or several investments and thus negatively affecting the returns of the Fund.

Sustainability risks can manifest themselves in different ways, such as but not limited to:

- failure to comply with environmental, social or governance standards resulting in reputational damage, causing fall in demand for products and services, or loss of business opportunities for a company or industry group,
- changes in laws, regulations or industry norms giving rise to possible fines, sanctions or change in consumer behavior affecting a company or an entire industry's prospects for growth and development,
- changes in laws or regulations, may generate higher demand for, and thus undue increase in prices of securities of companies perceived as meeting higher ESG standards. Prices of such securities may become more volatile if perception from market participants about companies adherence to ESG standards changes, and
- changes in laws or regulations, may incentivize companies to provide misleading information about their environmental, social or governance standards or activities.

Commonly considered sustainability risk factors are split into "Environment, Social, and Governance" (ESG), such as but not limited to the following topics:

Environment

- Climate mitigation
- Adjustment to climate change
- Protection of biodiversity
- Sustainable use and protection of water and maritime resources
- Transition to a circular economy, avoidance of waste, and recycling
- The avoidance and reduction of environmental pollution
- Protection of healthy ecosystems
- Sustainable land use

Social affairs

- Compliance with recognized labor law standards (no child and forced labor, no discrimination)
- Compliance with employment safety and health protection
- Appropriate remuneration, fair working conditions, diversity, and training and development opportunities
- Trade union rights and freedom of assembly
- Guarantee of adequate product safety, including health protection
- Application of the same requirements to entities in the supply chain
- Inclusive projects or consideration of the interests of communities and social minorities

Corporate Governance

- Tax honesty
- Anti-corruption measures
- Sustainability management by the board
- Board remuneration based on sustainability criteria
- The facilitation of whistle-blowing
- Employee rights guarantees
- Data protection guarantees

Sustainability risks can lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and thus may materially impact its market price or liquidity.

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 and/or Sub-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. The Investment Managers and/or Sub-Managers will cause the Company to enter into swap agreements in accordance with the guidelines set out in the section "INVESTMENT RESTRICTIONS". The main factor that determines the performance of a swap contract is the movement in the price of the underlying investment, specific interest rates, currencies and other factors used to calculate the payment due by and to the counterparty. If a swap contract requires payment by a Fund, the latter must at all times be able to honour said payment. Moreover, if the counterparty loses its creditworthiness, the value of the swap contract entered into with this counterparty can be expected to fall, entailing potential losses for the Fund.

System Failure risks for the Bond Connect

Trading through the Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The relevant Fund's ability to trade through the Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where the relevant Fund invests in the CIBM through the Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Termination risk

Investors should note that the Company may not continue for an indefinite period of time. The Company may be dissolved by resolution of the Shareholders if the capital of the Company falls below two-thirds of its minimum capital. The Board of Directors may also determine to close any existing fund if its net assets are below USD 50 million (or the equivalent thereof in the base currency of the relevant Fund) or under certain other circumstances (including a change in the economic or political situation relating to the Fund concerned that would justify such termination or if such termination is in the interests of the shareholders of the Fund concerned). Investors may not get back their original investment.

Investors should refer to the section "ADDITIONAL INFORMATION" for more details.

Underlying Investment Funds risk

A Fund's performance is directly impacted by the performance of any investment funds held by it. The Fund will be subject to the risks associated with any investment funds held by it. The ability of a Fund to achieve its investment goal is directly related to, in part, the ability of its underlying investment funds (if any) to meet their investment goal. The Fund does not have control of the investments of the underlying investment funds and there is no assurance that the investment objective and strategy of the underlying investment funds will be successfully achieved, which may have a negative impact to the Net Asset Value of the Fund. The Fund may not accomplish its intended investment purpose if the underlying investment funds hold common securities or trade securities with one another. The underlying investment funds in which the Fund may invest may not be regulated by the SFC.

Investing in other investment funds may be more costly and risky to a Fund than if the Fund had invested in the underlying securities directly. Shareholders of the Fund will indirectly bear the fees and expenses (including management and advisory fees and other expenses) of the underlying investment funds. There is also no guarantee that the underlying investment funds will always have sufficient liquidity to meet the Fund's redemption requests as and when made. The determination of net asset value of the shares of any particular underlying investment fund held by a Fund may be suspended under certain conditions. In the event this were to happen, it could impede the ability of a Fund to meet a redemption request in a timely manner. The Fund may be adversely affected as a result of such risks.

An underlying exchange traded fund ("ETF") may trade at a premium or discount to its net asset value, as shares of an ETF are bought and sold on exchanges their values may fluctuate due to factors not related to their net asset value.

Valuation risk

The valuation of a Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not be available at all times. If such valuations should prove to be incorrect, the Net Asset Value of the Fund may be adversely affected.

Volatility risk

The debt securities in emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Fund may incur significant trading costs.

Volatility and Liquidity risk

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Funds investing in such market are therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Funds may therefore incur significant trading and realization costs. The debt securities traded in the CIBM may be difficult or impossible to sell, and this would affect the relevant Funds' ability to acquire or dispose of such securities at their intrinsic value.

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.

Shareholders 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. None of the Company, the Management Company, the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.

INVESTMENT RESTRICTIONS

The Board of Directors have adopted the following restrictions relating to the investment of the Company's assets and its activities unless otherwise provided for in the sub-section "5. Specific investment restrictions and portfolio rules for Money Market Funds" below. These restrictions and policies may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Company in which case this Explanatory Memorandum will be updated.

The investment restrictions imposed by Luxembourg law must be complied with by each Fund which does not qualify as a Money Market Fund.

1. Investment in transferable securities and liquid assets

As long as the Company is authorized by the SFC, each Fund of the Company may invest not more than 10% of its Net Asset Value in A-Shares and B-Shares listed in any of the stock exchanges in China.

a) The Company will invest in:

(i) transferable securities and Money Market Instruments admitted to or dealt in on a Regulated Market; and/or

(ii) transferable securities and Money Market Instruments dealt in on another market in an EU Member State which is regulated, operates regularly and is recognised and open to the public;

(iii) transferable securities and Money Market Instruments admitted to official listing on a stock exchange in a non-EU Member State or dealt in on another market in a non-EU Member State, which is regulated, operates regularly and is recognised and open to the public;

(iv) recently issued transferable securities and Money Market Instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or on another Regulated Market, in the countries of the areas referred to under (i), (ii) and (iii) above, which operates regularly and is recognised and open to the public, and such admission is secured within a year of the purchase; and/or

(v) units of UCITS and/or other UCIs, whether situated in an EU Member State or not, provided that:

- such other UCIs have been authorised under the laws of any EU Member State or under laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in EU law and that cooperation between authorities is sufficiently ensured,

- the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009,

- the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,

- no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs; and/or

(vi) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-EU Member State, provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in EU law; and/or

(vii) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market referred to in subparagraph (i) to (iv) above, and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:

- the underlying consists of instruments covered by this section under 1. a), financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives,

- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority,

- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative, and/or

(viii) Money Market Instruments other than those dealt in on a Regulated Market and which fall under 1. a), if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:

- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the European Union or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong, or

- issued by an undertaking any securities of which are dealt in on Regulated Markets referred to above, or

- issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by the EU law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by EU law, or

- issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least 10 million euro and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which include one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

b) The Company may invest up to 10% of the net assets of any Fund in transferable securities and Money Market Instruments other than those referred to in (a) above;

c) Each Fund of the Company may hold ancillary liquid assets;

d) (i) Each Fund of the Company may invest no more than 10% of its net assets in transferable securities and Money Market Instruments issued by the same body. Each Fund of the Company may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in 1. a) (vi) above or 5% of its net assets in other cases.

(ii) The total value of the transferable securities and Money Market Instruments held in the issuing bodies in each of which any Fund invests more than 5% of its net assets must not exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph 1. d) (i), a Fund may not combine:

- investments in transferable securities or Money Market Instruments issued by a single body,

- deposits made with a single body, and/or

- exposures arising from OTC derivative transactions undertaken with a single body,

in excess of 20% of its assets.

(iii) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 35% where the Fund has invested in transferable securities or Money Market Instruments issued or guaranteed by an EU Member State, by its local authorities, by a non-EU Member State or by public international bodies of which one or more EU Member States are members.

(iv) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 25% for bonds issued by a credit institution which has its registered office in an EU Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Fund invests more than 5% of its net assets in the bonds above and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of the Fund.

(v) The transferable securities and Money Market Instruments referred to in paragraphs 1. d) (iii) and 1. d) (iv) are not included in the calculation of the limit of 40% referred to in paragraph 1. d) (ii).

The limit set out above under 1. d) (i), (ii), (iii) and (iv) may not be combined, and thus investments in transferable securities or Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with section 1. d) (i), (ii), (iii) and (iv) may not exceed a total of 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained under 1. d). A Fund may cumulatively invest up to 20% of its net assets in transferable securities and Money Market Instruments within the same group.

(vi) Without prejudice to the limits laid down in paragraph e), the limits laid down in this paragraph d) shall be 20% for investments in shares and/or bonds issued by the same body when the aim of a Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Luxembourg supervisory authority, provided

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner.

The limit laid down in the subparagraph above is raised to 35% where it proves to be justified by exceptional market conditions in particular in Regulated Markets where certain transferable securities or Money Market Instruments are highly dominant provided that investment up to 35% is only permitted for a single issuer.

(vii) **where any Fund has invested in accordance with the principle of risk spreading in transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's net assets.**

e) The Company or any Fund may not invest in voting shares of companies allowing it to exercise a significant influence in the management of the issuer. Further, a Fund may acquire no more than (i) 10% of the non-voting shares of any single issuing body, (ii) 10% of the debt securities of any single issuing body, (iii) 25% of the units of any single collective investment undertaking, (iv) 10% of the Money Market Instruments of any single issuing body. However, the limits laid down under (ii), (iii) and (iv) may be disregarded at the time of acquisition if, at that time, the gross amount of the bonds or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

The limits under this section e) shall not apply to (i) transferable securities or Money Market Instruments issued or guaranteed by an EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members or by any other State, nor to (ii) shares held by the Company in the capital of a company incorporated in a State which is not an EU Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State, provided that, however, the Company, in its investment policy, complies with the limits laid down in Articles 43 and 46 and in paragraphs (1) and (2) of Article 48 of the Law of 17 December 2010.

f) (i) Unless otherwise provided in the investment policy of a specific Fund, each Fund will not invest more than 10% of its net assets in UCITS and other UCIs.

(ii) In the case restriction f) (i) above is not applicable to a specific Fund, as provided in its investment policy, such Fund may acquire units of UCITS and/or other UCIs referred to in paragraph 1. a) (vi), provided that no more than 20% of a Fund's net assets be invested in the units of a single UCITS or other UCI.

For the purpose of the application of this investment limit, each compartment of a UCITS and/or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

(iii) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Fund.

(iv) When a Fund invests in the units of UCITS and/or other UCIs linked to the Company by common management or control, or by a substantial direct or indirect holding, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.

In respect of a Fund's investments in UCITS and other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Fund and each of the UCITS or other UCIs concerned shall not exceed 2% of the value of the relevant investments. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.

(v) A Fund may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all compartments combined.

(vi) The underlying investments held by the UCITS or other UCIs in which the Funds invest do not have to be considered for the purpose of the investment restrictions set forth under 1. d) above.

g) If and to the extent allowed by the Articles and applicable laws and regulations, a Fund may subscribe, acquire and/or hold shares to be issued or issued by one or more other Funds without the Fund being subject to the requirements of the law of 10 August 1915 on commercial companies (as amended) with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the conditions however that:

(i) The target Fund does not, in turn, invest in the Fund invested in this target Fund; and

(ii) No more than 10% of the assets that the target Fund whose acquisition is contemplated may be invested in units of UCITS and/or other UCIs; and

(iii) Voting rights, if any, attaching to the shares of the target Fund are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and

(iv) In any event, for as long as these shares are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 17 December 2010; and

(v) There is no duplication of management/entry or sale charges between those at the level of the Fund having invested in the target Fund, and this target Fund.

h) The Company may not (i) acquire for the benefit of any Fund securities which are partly paid or not paid or involving liability (contingent or otherwise) unless according to the terms of issue such securities will or may at the option of the holder become free of such liabilities within one year of such acquisition and (ii) underwrite or subunderwrite securities of other issuers for any Fund.

i) The Company may not purchase or otherwise acquire any investment in which the liability of the holder is unlimited.

j) The Company may not purchase securities or debt instruments issued by the Investment Managers or any Connected Person or by Management Company.

k) The Company may not purchase any securities on margin (except that the Company may, within the limits set forth in clause 2e) below, obtain such short-term credit as may be necessary for the clearance of purchases or sales of securities) or make uncovered sales of transferable securities, Money Market Instruments or other financial instruments referred to above; except that the Company may make initial and maintenance margin deposits in respect of futures and forward contracts (and options thereon).

l) As long as the Company is authorized by the SFC, each Fund of the Company may invest not more than 10% of its Net Asset Value in A-Shares and B-Shares listed in any of the stock exchanges in China.

2. Investment in other assets

a) The Company may not purchase real estate, nor acquire any options, rights or interest in respect thereof, provided that the Company may invest for the account of any Fund in securities secured by real estate or interest therein or in securities of companies investing in real estate.

b) The Company may not make investments in precious metals or certificates representing them.

c) The Company may not enter into direct commodities transactions or commodity contracts, except that the Company may, in order to hedge risk, enter into financial futures on such transactions within the limits laid down in clause 3 below.

d) The Company may not make loans to other persons or act as a guarantor on behalf of third parties or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness or any person in respect of borrowed monies, provided that for the purpose of this restriction:

(i) the acquisition of bonds, debentures or other corporate or sovereign debt obligations (whether wholly or partly paid) and investment in securities issued or guaranteed by a member country of the OECD or by any supranational institution, organisation or authority, short-term commercial paper, certificates of deposit and bankers' acceptances of prime issuers or other traded debt instruments shall not be deemed to be the making of a loan; and

(ii) the purchase of foreign currency by way of a back-to-back loan shall not be deemed to be the making of a loan.

e) The Company may not borrow for the account of any Fund, other than amounts which do not in aggregate exceed 10% of the net assets of the Fund, taken at market value and then only as a temporary measure. The Company may, however, acquire foreign currency by means of a back-to-back loan.

f) The Company may not mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness, any of the securities or other assets of any Fund, except as may be necessary in connection with the borrowings mentioned in clause e) above. The purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed the pledge of the assets.

3. Financial derivative instruments

The Company may use financial derivative instruments for investment, hedging and efficient portfolio management purposes, within the limits of the Law of 17 December 2010. Under no circumstances shall the use of these instruments and techniques cause a Fund to diverge from its investment policy.

Each Fund may invest in financial derivative instruments within the limits laid down in clause 1. a) (vii) provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in clause 1. d) (i) to (v). When a Fund invests in index-based financial derivative instruments, these investments do not have to be combined in respect of the limits laid down in clause 1. d). When a transferable security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to

prudential supervision and belonging to the categories approved by the CSSF for the purposes of OTC derivative transactions and specialised in these types of transactions.

As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure to the counterparty if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability as further set out below. Collateral primarily consist of cash and highly rated sovereign bonds. Collateral value is reduced by a percentage (a “haircut”) which provides for short term fluctuations in the value of the collateral. The types of asset used as eligible collateral exchanged will vary based on the agreement with each counterparty, and typically consist of cash, US Treasury bills or US government agency bonds supported by the full faith and credit of the US government and/or core Eurozone sovereign or agency debt. The eligible collateral and corresponding haircut used for each type of asset is consistent with the requirements of Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliment and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (more commonly referred to as the "EU uncleared OTC derivatives margin regulation"), as may be amended or supplemented from time to time. Net exposures are calculated daily by counterparty and are subject to the terms of the agreements, which include a minimum transfer amount which is typically less than Euro 500,000. The minimum transfer amount provides a threshold, below which, no collateral is exchanged. If the counterparty's net exposure to the Fund exceeds the minimum transfer amount the Fund will be required to post collateral to the counterparty. Collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure.

Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested if reinvesetment is consistent with the provisions established in the Credit Support Annex (“CSA”) of the International Swaps and Derivatives Association Master Agreement (“ISDA Master Agreement”) executed with the relevant counterparty and provided that any reinvestment is consistent with the risk diversification requirements detailed in Appendix B "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in MMFR, (b) deposits with credit institutional having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.

In accordance with the criteria laid down in the preceding paragraph, a Fund may be fully collateralised in different transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of

which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.

The Global Exposure relating to financial derivative instruments is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

The Company shall ensure that the Global Exposure of each Fund relating to financial derivative instruments does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings (as referred to in clause 2. e) above) so that it may not exceed 210% of any Fund's total net assets under any circumstances.

The Funds apply either the Value-at-Risk (VaR) or the Commitment Approach to calculate their Global Exposure, whichever is deemed to be appropriate.

When the investment objective of a Fund indicates a benchmark against which the performance might be compared, the method used to calculate the global exposure may consider a different benchmark than the one mentioned for performance or volatility purposes in the said Fund's investment objective.

Currency Hedging

The Company may, in respect of each Fund, for the purpose of hedging currency risks, have outstanding commitments in forward currency contracts, currency futures, written call options and purchased put options on currencies and currency swaps either quoted on an exchange or dealt in on a Regulated Market or entered into with highly rated financial institutions.

Subject to the implementation of the currency hedging techniques below, commitments in one currency may not exceed the aggregate value of securities and other assets held by the relevant Fund denominated in such currency (or other currencies that fluctuate in a substantially similar manner to such currency).

In this context, the Company may, in respect of each Fund, engage in the following currency hedging techniques:

- hedging by proxy, *i.e.*, a technique whereby a Fund effects a hedge of the reference currency of the Fund (or benchmark or currency exposure of the assets of the Fund) against exposure in one currency by instead selling (or purchasing) another currency closely related to it, provided however that these currencies are indeed likely to fluctuate in the same manner. Guidelines followed in determining that one currency moves in a substantially similar manner to another currency include the following: i) the correlation of one currency to another currency is proven over a significant period of time to be over 85%; ii) the two currencies are, by explicit government policy, scheduled to participate in European Monetary Union (Eurozone countries) on a set future

date (which would include using the Euro itself as a proxy for hedging bond positions denominated in other currencies scheduled to become part of the Euro on a set future date); and iii) the currency used as the hedging vehicle against the other currency is part of a currency basket against which the central bank for that other currency explicitly manages its currency within a band or corridor that is either stable or sloping at a predetermined rate.

- cross–hedging, *i.e.*, a technique whereby a Fund sells a currency to which it is exposed and purchases more of another currency to which the Fund may also be exposed, the level of the base currency being left unchanged, provided however that all such currencies are currencies of the countries which are at that time within the Fund's benchmark or investment policy and the technique is used as an efficient method to gain the desired currency and asset exposures.

- anticipatory hedging, *i.e.*, a technique whereby the decision to take a position on a given currency and the decision to have some securities held in a Fund's portfolio denominated in that currency are separate, provided however that the currency which is bought in anticipation of a later purchase of underlying portfolio securities is a currency associated with those countries which are within the Fund's benchmark or investment policy.

Total return swap transactions

A Fund which is authorised as per its investment policy to invest in total return swaps may 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%. In such cases, the counterparty to the transaction will be a counterparty approved and monitored by the Management Company or the relevant Investment Manager. 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 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 Funds' actual activity in total return swaps is disclosed in the Company's financial statements for all Funds which are engaged in total return swap contracts.

The following types of assets can be subject to total return swaps: equity, currency and/or commodity indices (such as, but not limited to Morgan Stanley Balanced Ex Energy Index, Morgan Stanley Balanced Ex Grains Index, Morgan Stanley Balanced Ex Industrial Metals Index, Morgan Stanley Balanced Ex Precious Metals Index or Morgan Stanley Balanced Ex Softs Index), 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 under the section "RISK CONSIDERATIONS".

Where a Fund enters into total return swap transactions, the expected proportion of such Fund's net assets that could be subject to total return swap transactions shall be calculated as the sum of notionals of the derivatives used and disclosed in the investment policy of 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 Management Company will not take any fees or costs out of those revenues additional to the investment management fee for the relevant Fund as set out under the section "CHARGES AND EXPENSES".

4. Use of techniques and instruments relating to transferable securities and money market instruments

a) Repurchase and reverse repurchase agreement transactions and securities lending transactions

(i) Types and purpose

To the maximum extent allowed by, and within the limits set forth in, the Law of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of 8 February, 2008 relating to certain definitions of the Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and 14/592 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase and reverse repurchase agreement transactions and (B) engage in securities lending transactions.

As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality.

The form and nature of the collateral will primarily consist of cash and highly rated sovereign fixed income securities that meets particular ratings criteria. Eligible collateral for securities lending transactions would be negotiable debt obligations (collectively "AA - Level Sovereign Bonds") issued by governments (such as Australia, Belgium, Canada, Denmark, France, Germany, the Netherlands, Norway, New Zealand, Singapore, Sweden, Switzerland, the United States, the United Kingdom, etc.), having a credit rating of at least AA- from S&P and/or Aa3 from Moody's, respectively and denominated in the official currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation-linked securities). The collateral received by the Company in respect of repurchase agreements transactions may be US Treasury bills or US government agency bonds supported by the full faith and credit of the US government and/or core Eurozone sovereign or agency debt rated AA- or above. Acceptable tri-party collateral used in relation to the Custodial Undertaking in connection with the Master Repurchase agreement include, US Treasuries (Bill, Notes, and Bonds), and the following Government Sponsored Agencies: Federal National Mortgage Association (FNMA),

Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp (FHLMC), and Federal Farm Credit System (FFCB).

The collateral shall have a final maturity of no more than 5 years from the date the repurchase transaction is entered.

The value of the securities received or posted as collateral shall also be equal to, or greater than, 102% of the amount of the repurchase, reverse repurchase or securities lending transaction. The additional collateral, above 100%, provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount. Collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure.

Non-cash collateral received is not sold, reinvested or pledged.

Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section "INVESTMENT RESTRICTIONS" in (a) shares or units issued by short term money market undertakings for collective investment as defined in MMFR, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.

In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.

(ii) Limits and conditions

- **Securities lending transactions**

Subject to the relevant Fund's investment policy, a Fund may utilise up to 50% of its assets for securities lending transactions. The volume of the securities lending transactions of each Fund shall be kept at an appropriate level or each Fund shall be entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and that these transactions do not jeopardise the management of each Fund's assets in accordance with its investment policy. The counterparties to securities lending transactions are selected following an initial analysis, and subsequent annual review

thereafter, of financial statements, company announcements, credit ratings and other market information which includes general market movements.

While there are no predetermined legal status, credit rating or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process.

When entering into securities lending transactions, a Fund must also comply with the following requirements:

(i) The borrower in a securities lending transaction must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;

(ii) A Fund may lend securities to a counterparty directly (A) itself or (B) as part of a standardised lending system organised by a recognised clearing house or by a first-class financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those provided by EU law and specialised in this type of transaction. Goldman Sachs International Bank and JPMorgan Chase Bank, N.A., London Branch, shall act as lending agents for securities lending on behalf of a Fund;

(iii) A Fund may only enter into securities lending transactions provided that it is entitled at any time under the terms of the agreement to request the return of the securities lent or to terminate the agreement;

As of the date of this Explanatory Memorandum, equity securities is the only type of assets subject to securities lending transactions.

Where a Fund enters into securities lending transactions, the expected proportion of such Fund's net assets that could be subject to securities lending transactions shall be disclosed in this Explanatory Memorandum.

A Fund that does not have a current disclosure on securities lending transactions in this Explanatory Memorandum has therefore a 0% expected proportion of use into these transactions, it being noted that the relevant Fund may however enter into securities lending transactions provided that the maximum proportion of the net assets of the Fund that could be subject to such transactions does not exceed 50% and that the relevant disclosure in this Explanatory Memorandum relating to the Fund is updated accordingly at the next available opportunity. The Funds' actual activity in securities lending transactions is disclosed in the Company's financial statements for all Funds which have signed securities lending agreements.

The risks related to the use of securities lending transactions and the effect on investors returns are more fully described under section "RISK CONSIDERATIONS".

For the avoidance of doubt, the Funds qualifying as Money Market Funds will not enter into securities lending transactions.

- **Repurchase and reverse repurchase agreement transactions**

Subject to the relevant Fund's investment policy, a Fund may utilise up to 50% of its assets for repurchase agreement transactions, but a Fund's exposure to any single counterparty in respect of repurchase agreement transactions is limited to (i) 10% of its assets where the counterparty is a credit institution having its registered office in an EU Member State or subject to equivalent prudential rules, and (ii) 5% of its assets in other cases. The counterparties to repurchase and reverse repurchase agreement transactions are selected following an initial analysis, and subsequent annual review thereafter, of financial statements, company announcements, credit ratings and other market information which includes general market movements. While there are no predetermined legal status, credit rating or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process. The volume of the repurchase and reverse repurchase agreement transactions of each Fund shall be kept at a level such that the Fund is able, at all times, to meet its redemption obligations towards Shareholders. Further, each Fund must ensure that, at maturity of the repurchase or reverse repurchase agreement transactions, it has sufficient assets to be able to settle the amount agreed with the counterparty for the restitution of the securities to the Fund. Any incremental income generated from repurchase or reverse repurchase agreement transactions will be accrued to the relevant Fund.

The following types of assets can be subject to repurchase or reverse repurchase agreement transactions: sovereign debt, corporate and government bonds, non-agency residential mortgage-backed securities and commercial mortgage-backed securities, possibly other asset-backed securities.

Where a Fund enters into repurchase or reverse repurchase agreement transactions as of the date of this Explanatory Memorandum, the expected proportion of such Fund's net assets that could be subject to repurchase or reverse repurchase agreement transactions shall be disclosed in this Explanatory Memorandum.

A Fund that does not have a current disclosure on repurchase or reverse repurchase agreement transactions in this Explanatory Memorandum has therefore a 0% expected proportion of use into these transactions, it being noted that the relevant Fund may however enter into repurchase or reverse repurchase agreement transactions provided that the maximum proportion of the net assets of the Fund that could be subject to such transactions does not exceed 50% and that the relevant disclosure in this Explanatory Memorandum relating to the Fund is updated accordingly at the next available opportunity. The Funds' actual activity in repurchase or reverse repurchase agreement transactions is disclosed in the Company's financial statements for all Funds which are engaged in repurchase or reverse repurchase agreement transactions.

- **Costs and revenues of securities lending and/or repurchase and/or reverse repurchase agreement transactions**

Direct and indirect operational costs and fees arising from securities lending transactions and/or repurchase and/or reverse repurchase agreement transactions may be deducted from the revenue delivered to the relevant Fund. These costs and fees shall not include hidden revenue. All the revenues arising from such transactions, net of direct and indirect

operational costs, will be returned to the relevant Fund. The annual report of the Company shall contain details of the revenues arising from securities lending transactions and/or repurchase and/or reverse repurchase agreement transactions for the entire reporting period together with the direct and indirect operational costs and fees incurred. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers or other financial institutions or intermediaries and may be related parties to the Management Company and/or the Depositary.

All revenues arising from repurchase and/or reverse repurchase agreement transactions will be returned to the relevant Fund, and the Management Company will not take any fees or costs out of those revenues additional to the investment management fee for the relevant Fund as set out under the section "CHARGES AND EXPENSES".

The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund. Any incremental income generated from securities lending transactions will be accrued to the relevant Fund.

(iii) Conflicts of Interest

No conflicts of interest to note. The Investment Manager(s) of the relevant Fund does not intend to lend the securities of the Fund to its related corporations or to engage them as securities lending agents.

(iv) Collateral

Collateral received by the relevant Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

(a) Any collateral received other than cash should be of high quality, highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;

(b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;

(c) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

(d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Fund's Net Asset Value to any single issuer on an aggregate basis, taking into account all collateral received. By way of derogation, a Fund may be fully collateralised in different transferable securities and Money Maket Instruments issued or guaranteed by a EU Member State, one or more of its local authorities, a Third Country, or a public international body to which one or more EU Member States belong. In such event, the relevant Fund should receive securities from

at least six different issues, but securities from any single issue should not account for more than 30% of the Fund's Net Asset Value;

(e) It should be capable of being fully enforced by the relevant Fund at any time without reference to or approval from the counterparty;

(f) Where there is a title transfer, the collateral received will be held by the Depositary in accordance with the Depositary's safekeeping duties under the Depositary Agreement (as defined in this Explanatory Memorandum under the section "MANAGEMENT AND ADMINISTRATION – DEPOSITARY"). For other types of collateral arrangements, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral; and

(g) Collateral received shall have a quality of credit of investment grade.

Collateral will be valued on each Valuation Day, using the last available market prices as per ISDA guidelines and taking into account appropriate discounts determined for each asset class based on the applicable haircut policy. The collateral will be marked to market daily and depending on the current market exposure and collateral balance, the collateral may be subject to variation margin movement when and if certain predetermined thresholds are crossed.

For the avoidance of doubt, the provisions of this section are also applicable to Money Market Funds provided they are not incompatible with the provisions of MMFR.

5. Specific investment restrictions and portfolio rules for Money Market Funds

Specific investment restrictions

By derogation to points 1 to 3 above, the Board of Directors has adopted the following restrictions in relation to the investments of the Funds qualifying as Short-Term Variable Money Market Funds. These restrictions and policies may be amended from time to time by the Board of Directors as they shall deem it to be in the best interest of the Company in which case this Explanatory Memorandum will be updated.

I) Each Fund may exclusively invest in the following eligible assets:

A) Money Market Instruments that fulfil all of the following requirements:

a) It falls within the following categories:

i) Money Market Instruments admitted to or dealt in on a Regulated Market, admitted to official listing on a stock exchange; and/or

ii) Money Market Instruments other than those dealt in on a Regulated Market, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:

1. issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the

federation, or by a public international body to which one or more EU Member States belong; or

2. issued by an undertaking, any securities of which are dealt in on Regulated Markets referred to in a) i) above; or
3. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law; or
4. issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in 1 and 3 above and provided that the issuer is a company whose capital and reserves amount to at least EUR 10,000,000 and which presents and publishes its annual accounts in accordance with Directive 2013/34/EU, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

b) it displays one of the following alternative characteristics
   1. it has a legal maturity at issuance of 397 days or less;
   2. it has a residual maturity of 397 days or less;

c) the issuer of the Money Market Instrument and the quality of the Money Market Instrument have received a favourable assessment pursuant to the internal credit quality assessment procedure established by the Management Company;
This requirement shall not apply to Money Market Instruments issued or guaranteed by the EU, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility.

d) where the Funds invest in a securitisation or ABCP, it is subject to the requirements laid down in B below.

B) 1) Eligible securitisation and ABCPs provided that the securitisation or ABCP is sufficiently liquid, has received a favourable assessment pursuant to the internal credit quality assessment procedure established by the Management Company, and is any of the following:

a) a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) 2015/61[33];

b) an ABCP issued by an ABCP programme which:
   1. is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks, as well as ongoing transaction costs and ongoing programme-wide costs related to the ABCP, if necessary to guarantee the investor the full payment of any amount under the ABCP;
   2. is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position;

[33] Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

3. does not include a synthetic securitisation as defined in point (11) of Article 242 of Regulation (EU) No 575/2013[34];

c) a simple, transparent and standardised (STS) securitisation or ABCP provided that the criteria identifying these STS as laid down by Article 11 of the MMFR, as amended, are complied with.
As from 1 January 2019, this paragraph will be amended as follows:
"a simple, transparent and standardised (STS) securitisation, as determined in accordance with the criteria and conditions laid down in Articles 20, 21 and 22 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, or an STS ABCP, as determined in accordance with the criteria and conditions laid down in articles 24, 25 and 26 of that Regulation."

2) The Fund may invest in the securitisations or ABCPs provided any of the following conditions is fulfilled, as applicable:

a) the legal maturity at issuance or residual maturity and ABCPs of the securitisations referred to in 1) a), b) and c) above is two years or less and the time remaining until the next interest rate reset date is 397 days or less;

b) the legal maturity at issuance or residual maturity of the securitisations or ABCPs referred to in 1) b) and c) above is 397 days or less;

c) the securitisations referred to in 1) a) and c) above are amortising instruments and have a Weighted Average Life of two years or less.

C) Deposits with credit institutions provided that all of the following conditions are fulfilled:

a) the deposit is repayable on demand or is able to be withdrawn at any time;

b) the deposit matures in no more than 12 months;

c) the credit institution has its registered office in a EU Member State or, where the credit institution has its registered office in a Third Country, it is subject to prudential rules considered equivalent to those laid down in EU law in accordance with the procedure laid down in Article 107(4) of Regulation (EU) No 575/2013.

D) Repurchase agreements provided that all the following conditions are fulfilled:

a) It is used on a temporary basis, for no more than seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point c) below;

b) the counterparty receiving assets transferred by the relevant Fund as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the prior consent of the Company;

c) The cash received by the relevant Fund as part of the repurchase agreement is able to be:

1. placed on deposits in accordance with C) above; or
2. invested in liquid transferable securities or Money Market Instruments other than those referred to in I) A) above provided that those assets comply with one of the following conditions:

(i) they are issued or guaranteed by the Union, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or

[34] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

the European Financial Stability Facility provided that a favourable assessment has been received pursuant to the internal credit rating assessment procedure established by the Management Company;

(ii) they are issued or guaranteed by a central authority or central bank of a non-EU Member State, provided that a favourable assessment has been received pursuant to the internal credit rating assessment procedure of the Management Company.

Cash received by the relevant Fund as part of the repurchase agreement shall not otherwise be invested in other assets, transferred or otherwise reused.

d) Cash received by the relevant Fund as part of the repurchase agreement does not exceed 10% of its assets.

e) The Company has the right to terminate the agreement at any time upon giving prior notice of no more than two working days.

E) Reverse repurchase agreements provided that all of the following conditions are fulfilled:

a) the Fund has the right to terminate the agreement at any time upon giving prior notice of no more than two working days;

b) the assets received by the Fund as part of a reverse repurchase agreement shall:

1. be Money Market Instruments that fulfil the requirements set out in I) A) above;
2. not include securitisations and ABCPs;
3. have a market value which is at all times at least equal to the cash paid out;
4. not be sold, reinvested, pledged or otherwise transferred;
5. be sufficiently diversified with a maximum exposure to a given issuer of 15% of the Fund's Net Asset Value except where those assets take the form of Money Market Instruments that fulfil the requirements of III) a) (viii) below;
6. be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

By way of derogation from (1) above, the Fund may receive as part of a reverse repurchase agreement liquid transferable securities or Money Market Instruments other than those referred to in I) A) above provided that those assets comply with one of the following conditions:

(i) they are issued or guaranteed by the European Union, a central authority or central bank of an EU Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received pursuant to the internal credit quality assessment procedure established by the Management Company.

(ii) they are issued or guaranteed by a central authority or central bank of a non-EU Member State, provided that a favourable assessment has been received pursuant to the internal credit quality assessment procedure of the Management Company;

The assets received as part of a reverse repurchase agreement in accordance with the above shall fulfil the diversification requirements described under III) a) viii).

c) The Company shall ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a Mark-to-Market basis. When the cash is recallable at any time on a Mark-to-Market basis, the Mark-to-Market value of the reverse repurchase agreement shall be used for the calculation of the Net Asset Value per Share of the relevant Fund.

F) Units or shares of any other short-term Money Market Fund ("targeted MMF") provided that all of the following conditions are fulfilled:

a) no more than 10% of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of targeted MMFs;

b) the targeted MMF does not hold units or shares of the acquiring Fund;

c) the targeted MMF is authorised under the MMFR.

G) Financial derivative instruments provided that they are dealt in on a stock exchange or a Regulated Market or OTC provided that all of the following conditions are fulfilled:

(i) the underlying of the financial derivative instrument consist of interest rates, foreign exchange rates, currencies or indices representing one of those categories;

(ii) the financial derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the Fund;

(iii) the counterparties to OTC derivative transactions are institutions subject and belonging to the categories approved by the CSSF;

(iv) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative.

II) The Fund may hold ancillary liquid assets.

III) a) (i) The Company will invest no more than 5% of the assets of any Fund in Money Market Instruments, securitisations and ABCPs issued by the same body.

(ii) The Company may not invest more than 10% of the assets of such Fund in deposits made with the same credit institution, unless the structure of the Luxembourg banking sector is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the Fund to make deposits in another EU Member State, in which case up to 15% of its assets may be deposited with the same credit institution.

(iii) By way of derogation from III) a) i) first paragraph above, a Fund may invest up to 10% of its assets in Money Market Instruments, securitisations and ABCPs issued by the same body provided that the total value of such Money Market Instruments, securitisations and ABCPs held by the relevant Fund in each issuing body in which it invests more than 5% of its assets does not exceed 40% of the value of its assets.

(iv) The aggregate of all of a Fund's exposures to securitisations and ABCPs shall not exceed 15% of its assets.

As from 1 January 2019, the aggregate of all of a Fund's exposures to securitisations and ABCPs shall not exceed 20% of its assets, whereby up to 15% of that Fund's assets may be invested in securitisations and ABCPs that do not comply with the criteria for the identification of STS securitisations and ABCPs.

(v) The aggregate risk exposure to the same counterparty of a Fund stemming from OTC derivative transactions which fulfil the conditions set out in I) G) above shall not exceed 5% of the assets of the relevant Fund.

(vi) The aggregate amount of cash provided to the same counterparty of the Company acting on behalf of a Fund in reverse repurchase agreements shall not exceed 15% of the assets of that Fund.

(vii) Notwithstanding the individual limits laid down in paragraph III) a) i), ii) and iii), the Company shall not combine, for each Fund, any of the following:

i) investments in Money Market Instruments, securitisations and ABCPs issued by, and/or

ii) deposits made with, and/or OTC financial derivative instruments giving counterparty risk exposure to a single body in excess of 15% of that Fund's assets.

(viii) The limit of 15% laid down in III) a) vi) above would be increased to a maximum of 20% in Money Market Instruments, deposits and OTC financial derivative instruments of that single body to the extent the structure of the Luxembourg financial market would be such that there are insufficient viable financial institutions to meet that diversification requirement and it is not economically feasible for the Company to use financial institutions in other EU Member States.

(ix) Notwithstanding the provisions outlined in III) a) i), the Company is authorised to invest up to 100% of the assets of any Fund, in accordance with the principle of risk spreading, in Money Market Instruments issued or guaranteed separately or jointly by the EU, the national, regional and local administrations of the EU Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a Third Country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more EU Member States belong, provided that such Fund must hold Money Market Instruments from at least six different issues by the issuer and Money Market Instruments from the same issue to a maximum of 30% of the assets of such Fund.

(x) The limit laid down in the first paragraph of III) a) i) may be of a maximum of 10% for certain bonds when they are issued by a single credit institution which has its registered office in an EU Member State and is subject by law, to special public supervision designed to

protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in accordance with the law, in assets which, during the whole period of validity of the bonds, are capable of covering claims attached to the bonds and which, in case of failure of the issuer, would be used on a priority basis for the repayment of the principal and payment of accrued interest.

If a Fund invests more than 5% of its assets in the bonds referred to in the above paragraph and issued by a single issuer, the total value of such investments may not exceed 40% of the value of the assets of the Fund.

(xi) Notwithstanding the individual limits laid down in III) a) i) the Fund may invest no more than 20% of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in III) a) ix) above.

Where a Fund invests more than 5% of its assets in the bonds referred to in the above paragraph issued by a single issuer, the total value of those investments shall not exceed 60% of the value of the assets of the relevant Fund, including any possible investment in assets referred to in III) a) ix) above, respecting the limits set out therein.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 2013/34/EU or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in section III) a).

IV) a) The Company may not acquire on behalf of any Fund more than 10% of Money Market Instruments, securitisations and ABCPs issued by a single body.

b) Paragraph a) above is waived as regards Money Market Instruments issued or guaranteed by the EU, national, regional and local administrations of the EU Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a Third Country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more EU Member States belong.

V) a) A Fund may acquire units or shares of targeted MMFs as defined under paragraph I) F) provided that, in principle, no more than 10% in total of a Fund's assets be invested in units or shares of targeted MMFs.

A specific Fund may be allowed to invest more than 10% of its assets in units of other targeted MMFs in which case it will be explicitly mentioned in its investment policy.

b) A Fund may acquire units or shares of another targeted MMF provided that it represents no more than 5% of a Fund's assets.

c) Any Fund which is allowed to derogate from the first paragraph of item V) a) above may not invest in aggregate more than 17.5% of its assets in units or shares of other targeted MMFs.

d) By derogation to b) and c) above, any Fund may either be a feeder Money Market Fund investing at least 85% of its assets in one other single targeted MMF UCITS in accordance with Article 58 of the Directive or invest up to 20% of its assets in other targeted MMFs with a maximum of 30% in aggregate of its assets in targeted MMFs which are not UCITS in accordance with Article 55 of the Directive, provided that the following conditions are met:

   a. the relevant Fund is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
   b. the employee savings scheme referred to above only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.

e) Where the targeted MMF is managed, whether directly or under a delegation, by the Management Company or by any other company to which the Management Company is linked by common management or control, or by a substantial direct or indirect holding, the Management Company or that other company, is prohibited from charging subscription or redemption fees.

In respect of a Fund's investments of more than 10% of its assets in the targeted MMF linked to the Company as described in the preceding paragraph, a management fee (excluding any performance fee, if any) amounting to a maximum of 2% may be charged to that portion of the assets of the relevant Fund. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the targeted MMF in which such Fund has invested during the relevant period.

f) The underlying investments held by the targeted MMF in which a Fund invests do not have to be considered for the purpose of the investment restrictions set forth under III) a) above.

g) Notwithstanding the foregoing, a Fund may subscribe, acquire and/or hold securities to be issued or issued by one or more Fund(s) qualifying as Money Market Funds without the Company being subject to the requirements of the Law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition however that:

   1. the targeted Money Market Fund does not, in turn, invest in the relevant Fund invested in this target Money Market Fund; and
   2. no more than 10% of the assets that the target Money Market Funds whose acquisition is contemplated may be invested in units of other Money Market Funds; and
   3. voting rights, if any, attaching to the shares of the target Money Market Fund are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
   4. in any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the

minimum threshold of the net assets imposed by the Luxembourg Law.

VI) In addition the Company will not:

a) invest in assets other than those referred to under I) above;

b) short sale Money Market Instruments, securitisations, ABCPs and units or shares of other Money Market Funds;

c) take direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;

d) enter into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the Fund;

e) borrow and lend cash.

Each Fund must ensure an adequate spread of investment risks by sufficient diversification.

VII) The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in which the Shares are marketed.

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

If the percentage limitations set forth in the above restrictions are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

Portfolio rules

Short-Term Variable Money Market Funds shall also comply on an ongoing basis with all of the following requirements:

a. its portfolio is to have at all times a Weighted Average Maturity of no more than 60 days;

b. its portfolio is to have at all times a Weighted Average Life of no more than 120 days, subject to the provisions of the MMFR;

c. at least 7.5% of its assets are to be comprised of daily maturing assets, reverse repurchase agreements (if any) which can be terminated by giving prior notice of one working day, or cash which can be withdrawn by giving prior notice of one working day;

d. at least 15% of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements (if any) which can be terminated by giving prior notice of five working days, or cash which can be withdrawn by giving prior notice of five working days. For the purpose of the calculation referred to in the previous sentence, Money Market Instruments or units or shares of other Money Market Funds may be included within the weekly maturing assets to a limit of 7.5% provided they are able to be redeemed and settled within five working days.

If the abovementioned limits are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription or redemption rights, the Company shall adopt as a priority objective the correction of that situation, taking due account of the interest of its Shareholders.

6. **The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale.**

Risk Management

The Management Company employs a risk-management process which enables it to monitor and measure the risk of the security positions and their contribution to the overall risk profile of each Fund's portfolio. The Management Company or the Investment Managers will employ a process for accurate and independent assessment of the value of OTC derivative instruments.

The Management Company has the support of various risk management and control groups which are independent from the Investment Managers who are in charge of making investment management decisions. These control groups are responsible for monitoring the global exposure, general and specific market and counterparty risks, credit risk and the liquidity risk; the concentration rules/investment borrowing rules; the current fair market value of the OTC derivative instruments in accordance with the relevant UCITS law and the Funds' offering document.

For Funds that consider the use of derivatives as core investment objective and not primarily for the purposes of hedging or efficient portfolio management, the Management Company will assess factors such as the number of derivatives and their complexity and qualify them as funds which will require application of an advanced risk measurement methodology and enhanced rules of conduct and organization. The assessment process is documented and kept available for inspection by the primary regulator of the Management Company.

The Management Company has an organization-wide group called Performance Analysis and Investment Risk Management (PAIR) which consists of investment professionals across the globe with complementary risk and investment backgrounds to help manage investment risk for portfolios. By quantifying and decomposing detailed risk data and by applying a unified risk management process, the PAIR group increases the risk awareness of the portfolio managers and monitors risk at portfolio level. The PAIR group conducts periodic reviews of each fund and the frequency of these reviews will depend on factors such as the turnover in the portfolio, market conditions and the performance and volatility of the fund. During the review process, key elements and information on historical risk and performance statistics, historical performance attribution and predicted risk analysis are considered and discussed by investment professionals as appropriate.

For funds using an advanced risk measurement methodology, the PAIR group completes on a monthly basis a comparison of the predicted risk of loss with actual figures and such analysis is reviewed by investment professionals. The potential impact and risk of extreme market events on a fund's investment risk parameters will also be reviewed as part of this process. In line with requirements of the Company's investment restrictions, counterparty risk will be monitored at both the issuer and the group level.

All OTC derivatives are valued at current daily market value using multiple independent pricing services and there is a valuation independent committee established to provide oversight and administration of the policies and procedures governing the fair valuation and liquidity determination of securities held by the Funds.

Upon request of an investor, the Management Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

Internal credit quality assessment procedure

The Management Company has established, implemented and consistently applied a customised internal credit quality assessment procedure based on prudent, systematic and continuous assessment methodologies for systematically determining the credit quality of any of the Funds that qualify as money market funds in accordance with the Money Market Fund Regulation and relevant delegated acts supplementing the Money Market Fund Regulation.

An effective process has been established by the Management Company to ensure that relevant information on the issuer and instrument's characteristics are obtained and kept up-to-date.

Determination of credit risk of an issuer or guarantor is made based on an independent analysis of the issuer's or guarantor's ability to repay its debt obligations, which is performed on an ongoing basis by credit research analysts within the Money Market Research Team who may also rely upon the credit research of the wider Investment Grade Bond Research Team under the responsibility of the Management Company and who shall report to the Management Company, on a regular basis which shall be no less than annually. Portfolio management is not involved with this research, to ensure its independence. This determination includes the following elements, where applicable:

a) Financial condition and analysis of recent financial statements;
b) Ability to react to future market-wide and issuer- or guarantor-specific events, including the ability to repay in a highly adverse situation;
c) Strength of the issuer or guarantor's industry within the economy and relative to economic trends and competitive position;
d) Assessment of the issuer's liquidity profile including sources of liquidity, consideration of bank lines of credit and alternative sources of liquidity as well as an issuer's ability to repay short-term debt;
e) For sovereign-related issuers, the strength of fiscal policy (government receipts vs. spending needs), monetary policy (the supply of money and the level and trend in interest rates), balance of payments (the strength of the country's capital account, current account and trade balance), and the size of international reserves with its resulting impact on the prospects for the currency;

In order to quantify the credit risk of an issuer or guarantor and the relative risk of default of an issuer or guarantor and of an instrument, the following quantitative criteria will be used in the credit quality assessment methodology:

a) Trends related to cash flow, revenues, expenses, profitability, short-term and long-term debt service, including a comparison of the ratio of cash from operations to short-term debt and profitability ratios compared to industry averages;
b) Total debt to capitalization ratio and short-term debt to capitalization ratio as compared to such ratios for similar credits;
c) Ratio of current assets to current liabilities as compared to similar credits;
d) For bank and finance company credits, a comparison relative to other international banks and finance companies with respect to: i) the percentage of funding from short-

term debt vs. long-term debt, ii) the ratio of high-risk load to equity and reserves, and iii) loan loss reserves as a percentage of non-performing assets.

e) For brokerage and counterparty credits, a comparison relative to other international brokers with respect to: i) the ratio of short-term debt to total funding, ii) the ratio of short-term debt to equity, iii) the ratio of total assets to equity, and iv) the ratio of liquid assets and credit lines to short-term debt;
f) For sovereign-related credits, a comparison of indicators related to fiscal policy (budget balance as a percentage of gross domestic product ("GDP")), monetary policy (growth of the money supply and the level and trend in interest rates, the level and maturity profile of outstanding debt (including the percentage outstanding debt represents of GDP), the balance of payments (current account and trade balance as a percentage of GDP), and the level of international reserves.

Specific criteria for the qualitative assessment of the issuer or guarantor and of an instrument as designed by the Management Company shall include:

a) The asset class or type of the instrument or security, including any operational or counterparty risk inherent within the structure of such instrument or security.
b) Credit assessment of the issuer or guarantor of the instrument or security, including: i) macro-economic factors which might affect the issuer's or guarantor's current and future credit quality, ii) asset protection, iii) the quality of the issuer's or guarantor's account practices and management, iv) the effect of any significant ownership positions, v) the degree of financial flexibility of the issuer or guarantor to cope with unexpected challenges and to take advantage of opportunities as well as an assessment of the degree and nature of event risks, vi) the likelihood of a sudden change of credit quality from external or internal sources, including the relative risk of default, vii) for government-backed securities, whether the security is backed by the full faith and credit of the government authority or only by the credit of the agency or instrumentality issuing the security, and whether there is socio-political risk, regulatory risk, tax withholding risk, or the risk of nationalization of assets or exchange controls, and viii) for local government securities, sources of repayment, issuer demographics, the issuer's autonomy in raising taxes and revenue, the issuer's reliance on outside revenue sources, and the strength and stability of the supporting economy.
c) The existence and depth of the secondary market for the instrument or security, as well as the period remaining until the principal amount can be recovered through demand (*i.e.* at maturity).
d) External credit ratings:
    i. The Funds qualifying as money market funds within the meaning of the Money Market Fund Regulation will seek to hold only securities rated A-1 or higher by S&P, P-1 by Moody's or a similar rating by any other internationally recognised statistical rating organization.
    ii. If not given a short-term rating, the credit quality must be deemed equivalent to such ratings by the Management Company.
    iii. There shall be no mechanistic over-reliance on external ratings.

The credit quality assessment methodology's qualitative and quantitative inputs shall be of a reliable nature and well-documented. The final result of the credit quality assessment methodology will be an approved list of credits (the "Approved List") available for use by the money market funds. As and when a credit is removed from the Approved List due to an unfavorable assessment of the credit, positions related to the credit will be reduced or disposed of as appropriate and as soon as practicable, given prevailing market conditions at the time.

The credit quality assessment methodologies and the Approved List are reviewed at least on an annual basis by the Management Company and more often if necessary. In case there is a material change, within the meaning of the Money Market Fund Regulation, that could have an impact on the existing assessment of an instrument or that could have an impact on the credit quality methodologies, a new credit quality assessment will be performed and/or credit quality methodologies will be updated.

Liquidity risk management

Liquidity risk management is an integral part of the Management Company's overall risk management programme.

The Management Company relies on the relevant Investment Manager and/or Sub-Managers of the Funds and the independent PAIR group to identify, monitor and manage the liquidity risks of the Funds. Funds that have a fixed income strategy may benefit from additional risk analysis and recommendations by the quantitative research group. These teams are subject to an appropriate degree of oversight by an investment liquidity committee, which is responsible for liquidity risk management and the ongoing management and monitoring of liquidity risk. A majority of the members of the committee who perform the oversight role are functionally independent from the day-to-day portfolio investment function. The committee reports to senior management representatives from the relevant functions within Franklin Templeton.

Factors which are assessed by the PAIR team and the quantitative research group include liquidity of holdings, market liquidity and ability to meet redemptions and respond to outsized flows. Portfolio liquidity and redemption risk are regularly assessed using different qualitative and quantitative indicators. Key metrics that may be used to measure and monitor liquidity risk include projected portfolio flows and redemption forecasting models. The need for and availability of additional liquidity sources are evaluated and stress testing based on hypothetical stress scenarios is performed. Any significantly adverse results are reported to senior management and to an investment liquidity committee.

This framework enables the PAIR team to assess, review and decide, in conjunction with the relevant Investment Manager and/or Sub-Managers of the Funds and the Management Company, any necessary course of action at short notice to deal with large redemptions or structurally stressed market conditions, via employing one or more of the following tools:

- A Fund may borrow up to 10% of its total net assets on a temporary basis. Further details of this tool are set forth in paragraph 2. e) of the section "INVESTMENT RESTRICTIONS".
- The Company reserves the right not to be bound to redeem or exchange on any one Valuation Day more than 10% of the value of the Shares of any Fund. Further details of this tool are set forth in the section "PURCHASE AND REDEMPTION OF SHARES – REDEMPTIONS – Instructions and Payments".
- The Company may apply a swing pricing mechanism by adjusting the Net Asset Value per Share for a Fund in order to reduce the effect of "dilution" and applying the dealing costs to transacting investors. Further details of this tool are set forth in the section "ADDITIONAL INFORMATION – SWING PRICING ADJUSTMENT".
- The Company may, subject to the prior consent of a Shareholder, effect a payment of redemption proceeds in whole or in part in specie by allocating to the redeeming Shareholder investments from the portfolio of the relevant Fund equal in value to the

Net Asset Value of the Shares being redeemed. Further details of this tool are set forth in the section "PURCHASE AND REDEMPTION OF SHARES – REDEMPTIONS – Redemption in specie".

- The Board of Directors may determine to close any existing Fund if the Net Asset Value of the relevant Fund falls below certain thresholds. Further details of this tool are set forth in the section "ADDITIONAL INFORMATION – SUSPENSION AND TERMINATION".
- The Company may suspend the valuation and hence the issue, redemption or switching of Shares of any Fund in certain circumstances. Further details of this tool are set forth in the section "ADDITIONAL INFORMATION – SUSPENSION AND TERMINATION".

Investors should note that there is a risk that the tools outlined above may be ineffective to manage liquidity and redemption risk. The Management Company shall, where applicable, consult the Depositary before the use of the liquidity risk management tools outlined above.

Investment in securities issued by or guaranteed by any single sovereign issuer

Unless otherwise stated in any Fund's investment policy, the Company will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

PURCHASE AND REDEMPTION OF SHARES

PURCHASES

Minimum Investments

The minimum initial investment per fund is USD1,000 and the minimum investment per fund for subsequent purchases is USD500 (except for Class I Shares which have a minimum initial investment of USD5,000,000 and are not subject to any minimum subsequent purchases). Such minimum investment amounts may be waived in whole or in part by the Board of Directors or Management Company. Purchases may be made in USD, Hong Kong dollars, Sterling, Euro or other freely convertible currencies. A Regular Savings Plan may also be started, with monthly contributions of at least USD100 or HKD1,000, except for investment in Class I Shares for which no Regular Savings Plan is available. Certain intermediaries may impose higher minimum dealing amounts.

The minimum holding requirement in the Shares of each Fund is USD1,000 or currency equivalent.

Price and Charges

Applications received on or before 4:00 p.m. Hong Kong time on a Business Day in Hong Kong will usually be dealt with on the basis of the Net Asset Value of the relevant fund calculated on the same day in Luxembourg (provided that it is also a Valuation Day in Luxembourg).

The Net Asset Value of each class of Shares of each fund shall be calculated to two decimal places and the purchase price, in the case of Class A Shares, will comprise the Net Asset Value calculated on the relevant Valuation Day plus an initial sales charge which will not exceed 5% of the amount of the transaction (see "CHARGES AND EXPENSES" below). In the case of Class B Shares and Class I Shares, no initial sales charge is imposed at the time of purchase.

Payment

Subscription monies in cleared funds must be paid within three (3) Business Days following the date of application. Subscription monies in cleared funds for the Franklin U.S. Dollar Short-Term Money Market Fund must be paid within one (1) Business Day following the date of application. If timely settlement is not made, an application may lapse and be cancelled. In such circumstances, the Company has the right to bring an action against the defaulting applicant to obtain compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. The Board of Directors may decide from time to time, with respect to specific applications for subscriptions, that subscription monies in cleared funds must be received on the date of application.

Cleared monies are invested net of any bank charges. No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on the Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance in Hong Kong. The Company and the Management Company reserve the right to refuse any application.

Any application monies not accepted will be returned to applicants at their own risk, and without interest.

Payment Method

Payment can be made by telegraphic transfer (or bank wire) (as detailed in the application form). If you make your payment by telegraphic transfer you should enclose a copy of the remittance instruction with your application. Please also instruct your bank to advise us of the remittance of your funds, and indicate the full name of the investor on whose behalf the payment is made. No responsibility will be accepted by Franklin Templeton for reconciling an investor's remittances where problems occur in the transmission or as a result of inadequate details of the transfer.

Investors should note that bank charges in connection with the telegraphic transfer may be deducted from the proceeds of the transfer by the remitting bank, correspondents, agents or sub-agents of the receiving bank may also deduct bank charges from the remittance. The amount invested will therefore be the amount of money actually received by Franklin Templeton for investment. Payments can be made directly into the Company's bank accounts, in US or Hong Kong dollars, as set out below. Please enclose a copy of the bank pay-in slip with your application.

Bank Details:

	US dollars	**Hong Kong dollars**
Beneficiary Bank:	J. P. Morgan Chase Bank Hong Kong	J. P. Morgan Chase Bank Hong Kong
Account number:	68-748-00151	68-398-00056
Account name:	Franklin Templeton Investment Funds	Franklin Templeton Investment Funds

Investors should note that subscription applications for Share amounts must be settled in the relevant Fund's base currency.

Investors should also note that it is the Company's policy not to accept unrelated third party payments.

Payments may also be made in the following currencies, for which bank details are available from the Hong Kong Representative on request: Sterling, Euro, Australian Dollar, Japanese Yen, Singapore dollar. Bank charges may be deducted by the remitting bank for currency conversion and such charges will be borne by the investor.

All classes of Shares are issued in registered form only. Unless otherwise requested, Shares are issued without certificates. If certificates are requested, they will be mailed at the investor's risk, following receipt of a written request. The Board of Directors reserve the right to refuse requests for physical certificates.

None of the Company, the Management Company or the Investment Managers shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, by whichever method is sent (including non-receipt of facsimile application forms).

The Articles allow the Company to exclude or restrict the holding of Shares by any person or company. Pursuant thereto, the beneficial ownership of Shares in the Company by US Persons is excluded except in a transaction that does not violate US law. As provided for in the Articles and within the limits contained therein, when the Company and/or the Management Company become aware that a shareholder (A) is a US Person or is holding shares for the account or benefit of a US Person; (B) is holding shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages or other material disadvantages or negative impact for the Company, its shareholders or its delegates active in the investment management and advisory of the Company; (C) has failed to provide any information or declaration required by the Company and/or the Management Company or (D) has a shareholding concentration which could, in the opinion of the Company and/or the Management Company, jeopardise the liquidity of the Company or any of its Funds qualifying as money market funds, the Company and/or the Management Company will either (i) direct such shareholders to redeem or to transfer the relevant shares to a person who is qualified or entitled to own or hold such shares or (ii) redeem the relevant shares. The sale of Shares to or on behalf of any person in any other jurisdiction is excluded except in a transaction that complies with the laws of that jurisdiction. The Company is entitled to require any person applying for, or claiming ownership rights in, any Shares to provide satisfactory information to establish that person's nationality and country of residence.

The Company shall have power to impose such restrictions (other than any restrictions on transfer of shares) as it may think necessary for the purpose of ensuring that no shares in the Company are acquired or held by (a) any person in breach of the law or requirement of any country or governmental or regulatory authority (if the Board of Directors shall have determined that any of them, the Company, any of the Management Company (as defined herein), investment managers or advisers or any other person as determined by the Board of Directors would suffer any disadvantage as a result of such breach) or (b) any person in circumstances which in the opinion of the Board of Directors might result in the Company incurring any liability to taxation (to include regulatory or any tax liabilities that might derive, inter alia, from the requirements of the FATCA or the Common Reporting Standard or any similar provisions or any breach thereof) or suffering any pecuniary disadvantage which the Company might not otherwise have incurred or suffered, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority or (c) any person whose shareholding's concentration could, in the opinion of the Board of Directors, jeopardise the liquidity of the Company or any of its Funds.

More specifically, the Company may restrict or prevent the ownership of shares in the Company by any person, firm or corporate body, and without limitation, by any US Person.

The actions that the Company may take in order to restrict or prevent the ownership of Shares by Prohibited Persons are described in full in the Articles and include (in summary):

1) declining to issue and/or register transfers of Shares;

2) requiring the furnishing of representations and warranties and/or information, supported by affidavit;

3) redeeming all or part of the Shares held by a relevant Shareholder; and

4) declining to accept the vote of any person who is precluded from holding Shares in the Company at any meeting of shareholders of the Company.

The right is reserved by the Board of Directors to reject any application. In addition, the Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Explanatory Memorandum.

REDEMPTIONS

Instructions and Payments

An investor wishing to redeem Shares should complete a redemption form, and send it to the Hong Kong Representative. Redemption instructions received by the Hong Kong Representative on or before 4:00 p.m. Hong Kong time on a Business Day will usually be dealt with on the basis of the Net Asset Value of the relevant Fund calculated on the same day in Luxembourg (provided that it is also a Valuation Day in Luxembourg). Following receipt of original completed documentation, the proceeds will normally be paid to your bank account by telegraphic transfer in US or Hong Kong dollars, or other major freely convertible currencies upon request, within three (3) Business Days (except for Money Market Funds for which proceeds will normally be paid within one (1) Business Day) and in any event not later than one month after the receipt of a properly documented redemption request from the Shareholder.

Payment in other currencies may take longer to settle. Payments are usually shown on investors' bank accounts on the date following the settlement date. Investors should note that bank charges may be deducted by the receiving bank or the bank's correspondents, agents or sub-agents. The Company will only make payments to bank accounts in the name of the registered holder(s). In order to protect the account holder, the Company will not accept instructions to pay to third parties. Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account located in a country other than the investor's country of residence, the Company and/or the Management Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentary evidence is received that provides additional investor protection to the satisfaction of the Company and/or the Management Company. This procedure is subject to the requirements of the SFC's Code on Unit Trusts and Mutual Funds, including the maximum interval of one calendar month between the receipt of a properly documented redemption request and the payment of the redemption money. Any request to redeem Shares may not be executed until any previous transaction involving the Shares to be redeemed has been completed and full settlement on those Shares received. Such request to redeem will be dealt with at the Net Asset Value per Share determined on the Valuation Day during which the previous transaction is completed and fully settled.

The Company reserves the right not to be bound to redeem or exchange on any one Valuation Day more than 10% of the value of the Shares of any Fund. In these circumstances, the Board of Directors may declare that the redemption of part or all of such Shares will be deferred by a Business Day (in any event not exceeding ten (10) Business Days) and will be valued at the relevant Net Asset Value per Share determined on the Valuation Day(s) on which the Shares are redeemed. On such Valuation Day(s) these requests for redemption will be complied with in priority to later requests.

In the case of a partial redemption of a holding, the minimum value of a holding remaining in any one fund after such a partial redemption must amount to not less than USD1,000. Otherwise, the Board of Directors may, in its discretion, redeem the remaining Share balance. Certain intermediaries may impose higher minimum holding amounts.

Redemption Charges

Investors holding Class B Shares should note that the proceeds of redemption of Shares within four years of purchase are subject to a contingent deferred sales charge. For further details, please see "CHARGES AND EXPENSES".

Redemption in Specie

With the prior consent of the Shareholder(s) concerned, and having due regard to the principle of equal treatment of Shareholders, the Board of Directors may satisfy the payment of redemption proceeds in whole or in part in specie by allocating to the redeeming Shareholder(s) investments from the portfolio of the relevant Fund equal in value (after deduction of any relevant charges and expenses) to the Net Asset Value of the Shares being redeemed.

The nature and type of asset to be transferred in such case will be determined on an equitable basis and without prejudicing the interests of the other Shareholders, and will be valued independently in accordance with Luxembourg law on the relevant Valuation Day. To the extent required by applicable laws and regulations, such a transfer will be subject to a special report by the approved statutory auditor of the Company.

In specie redemptions may attract transaction costs or taxes, depending on the assets in question. These transaction costs and taxes, as well as the costs of any special report by the Company's auditor, will be charged to the redeeming Shareholder unless the Board of Directors considers that such sale is in the interest of the Company or made to protect the interest of the Company, in which case the costs may be borne entirely or partially by the Company. Investors should inform themselves of, and when appropriate consult their professional advisers on the possible tax consequences of redeeming their shareholding in this way, under the laws of their country of citizenship, residence or domicile. Investors should note that the levels and bases of, and relief from, taxation can change.

In specie redemptions may not always be possible, practicable or cost efficient and may have an adverse impact on existing Shareholders. The Board of Directors has sole discretion to refuse requests for in specie redemptions.

SWITCHING BETWEEN FUNDS

Shareholders may switch their Shares in one fund to Shares of the same class in another fund at any time. The minimum switch allowed is USD1,000. In the case of a partial switch of a Shareholding, the value of the remaining holding should be at least USD1,000. Certain intermediaries may impose higher minimum dealing amounts. A charge of 1% of the value of the Shares being switched will be made when an investor switches between funds. Such minimum switching amount and switching charge can be waived in whole or in part by the Principal Distributor.

Any switch from Class B Shares or Class N Shares of any fund may only be made into Class B Shares or Class N Shares (respectively) of another fund, which issues Class B Shares or Class N Shares (as appropriate) of the same currency. In the event of such a switch:

- no contingent deferred sales charge and no switching fee will be applied on the switching transaction

- the other terms and conditions relating to switching of Shares shall apply

- the period of time during which the Class B Shares were held in the previous Fund will be added to the period of time for which those Shares are held in the new (switched) Fund. Accordingly, the contingent deferred sales charge applicable upon the ultimate redemption or switching of those Class B Shares from the new Fund shall be calculated on the aggregate period for which those Shares were held in both the previous Fund from which they were switched, and in the new Fund into which they were switched.

Only qualifying institutional investors can switch their Shares into Class I Shares.

TRANSFER OF SHARES

A transfer is a transaction for the purpose of transferring an investor holding to another investor.

An instruction to transfer Shares should be submitted to the Hong Kong Representative in writing or by a duly signed Share transfer form together with, if issued, the relevant Share certificate to be cancelled, or if expressly permitted, by telephone, facsimile or electronic means. The instruction must be dated and signed by the transferor(s), and if requested by the Company and/or the Management Company also signed by the transferee(s), or by persons holding suitable powers of attorney to act therefore.

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

Any request to transfer Shares will only be executed once any previous transaction involving the Shares to be transferred has been completed and full settlement on those Shares received. If the transfer instruction would result in a holding balance being less than USD1,000 (or currency equivalent) the Company and/or the Management Company may redeem such holding balance and pay the proceeds to the Investor.

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

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

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

MARKET TIMING

Additionally, the Company does not knowingly allow investments by market timers. In general, market timers include any person or group that uses market timing or asset allocation services, accounts administered so as to buy, sell or exchange Shares based on predetermined market indicators, or any person or group whose transactions seem to follow a timing pattern or whose transactions include frequent or large exchanges. The Company will combine Shares under common ownership or control for purposes of ascertaining whether a person or group constitutes a market timer. To that end, the Board of Directors reserves the right to refuse to issue Shares to investors whom it considers market timers.

DEALINGS IN THE FUNDS

Dealings in the Funds (including but not limited to issue, switch, redemption and transfer of Shares in the Funds) would usually take place on a Valuation Day. The Hong Kong Representative will only accept dealings instructions on a Business Day in Hong Kong. In respect of dealings instruction received by the Hong Kong Representative on a Business Day in Hong Kong at or before 4 p.m. Hong Kong time, the instruction will usually be dealt with on the basis of the Net Asset Value of the relevant fund calculated on the same day in Luxembourg or would this day not be a Valuation Day, on the immediately following Valuation Day.

Dealing instructions received after 4 p.m. Hong Kong time by the Hong Kong Representative on a Business Day in Hong Kong will usually be dealt with on the next Business Day in Hong Kong (unless specifically agreed otherwise with the Hong Kong Representative for any exception).

None of the Company, the Management Company or the Investment Managers shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, redemption form, switching form or transfer form, by whichever method it is sent (including non-receipt of facsimile).

REGULAR SAVINGS PLAN

In addition to making single investments into selected Funds, a Regular Savings Plan can be commenced (except for investment in Class I Shares for which no Regular Savings Plan is available), enabling accumulation of savings, benefiting from dollar-cost-averaging. (A separate brochure on the Franklin Templeton Regular Savings Plan is available on request.) The minimum monthly payment by bankers' order is USD100, or HKD1,000 if by autopay in Hong Kong dollars. Certain intermediaries may impose higher minimum dealing amounts. Investments made under the Regular Savings Plan should be paid by bankers' order or autopay payable on the first Business Day in Hong Kong of each month, and will be invested on the fourth Business Day in Hong Kong, following confirmation of receipt of cleared funds into the account of the funds. All interest earned on subscription monies is accrued for the benefit of the funds. All dividends will be reinvested into the client's account, and will not be paid in cash. No share certificates will be issued.

Regular Savings Plan account holders may suspend their monthly contribution from time to time by notifying the Hong Kong Representative. Account holders will receive monthly transaction confirmations showing their account holding balance. There are no additional charges for investors to operate the Regular Savings Plan, and no early redemption or other charges in the event of termination of contributions. In the case their amount of holding balance is less than USD1,000, the Board of Directors may, in its discretion, redeem the holding balance. Certain intermediaries may impose higher minimum holding amounts. If Class B Shares are used in the Plan, they will be subject to the normal charges for early redemption. (See "CHARGES AND EXPENSES" for details.) Class N Shares will only be available to existing Regular Savings Plan account holders.

BUSINESS DAY IN HONG KONG

For the purpose of receiving applications for the issue, redemption, switching and transfer of Shares in any of the Funds of the Company in a Business Day in Hong Kong by the Hong Kong Representative, Business Day in Hong Kong means any day other than Saturday on which banks in Hong Kong are open for normal banking business provided that where, as a result of a number 8 typhoon signal or higher or a black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day in Hong Kong unless the Hong Kong Representative otherwise determines (the Hong Kong Representative may without notice to investors and Shareholders determine that such day shall not be a Business Day in Hong Kong). The Hong Kong Representative and/or the Board of Directors have the discretion not to accept any dealing instructions in the Funds (including but not limited to applications or instructions for the issue, redemption, switching and transfer of Shares in any of the Funds of the Company).

VALUATION DAY

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

PRICES

The most recent dealing prices may be obtained by telephoning the Hong Kong Representative at (852) 2877-7733. Prices may also be obtained on the Hong Kong Representative's website at *www.franklintempleton.com.hk*[*].

[*] The website has not been reviewed by the SFC.

CHARGES AND EXPENSES

CLASS A SHARES

Initial Sales charges

Class A Shares in the Funds are purchased at their Net Asset Value prices, after deduction of an initial sales charge not exceeding 5% of the amount invested. Where the amount invested exceeds certain thresholds, a lower initial sales charge may be applicable.

For any investment in Franklin U.S. Dollar Short-Term Money Market Fund, the initial sales charge may be waived in whole or in part by the Principal Distributor subject to the Principal Distributor's discretion to impose an initial sales charge of up to 5% of the amount to be switched out of Franklin U.S. Dollar Short-Term Money Market Fund to other Funds.

Annual Management Fees

Fund Name **Class A Shares**	**Investment Management Fee**	**Maintenance Charge**	**Aggregate Charge**
Franklin Biotechnology Discovery Fund	1.00%	0.50%	1.50%
Franklin Euro Government Bond Fund	0.35%	0.20%	0.55%
Franklin Euro High Yield Fund	0.80%	0.40%	1.20%
Franklin Global Convertible Securities Fund	0.75%	0.50%	1.25%
Franklin Global Income Fund	0.85	0.50%	1.35%
Franklin Global Real Estate Fund	1.00%	0.50%	1.50%
Franklin Gold and Precious Metals Fund	1.00%	0.50%	1.50%
Franklin High Yield Fund	0.80%	0.40%	1.20%
Franklin Income Fund	0.85%	0.50%	1.35%
Franklin India Fund	1.00%	0.50%	1.50%
Franklin Innovation Fund	1.00%	0.50%	1.50%
Franklin MENA Fund	1.50%	0.50%	2.00%
Franklin Mutual European Fund	1.00%	0.50%	1.50%
Franklin Mutual Global Discovery Fund	1.00%	0.50%	1.50%
Franklin Mutual U.S. Value Fund	1.00%	0.50%	1.50%
Franklin Natural Resources Fund	1.00%	0.50%	1.50%
Franklin NextStep Balanced Growth Fund	0.85%	0.40%	1.25%
Franklin NextStep Dynamic Growth Fund	0.85%	0.50%	1.35%
Franklin NextStep Stable Growth Fund	0.80%	0.30%	1.10%
Franklin Strategic Income Fund	0.75%	0.50%	1.25%
Franklin Technology Fund	1.00%	0.50%	1.50%
Franklin U.S. Dollar Short-Term Money Market Fund	0.30%	0.10%	0.40%
Franklin U.S. Government Fund	0.65%	0.30%	0.95%
Franklin U.S. Opportunities Fund	1.00%	0.50%	1.50%
Franklin World Perspectives Fund	1.00%	0.50%	1.50%
Templeton Asian Bond Fund	0.75%	0.30%	1.05%
Templeton Asian Growth Fund	1.35%	0.50%	1.85%
Templeton Asian Smaller Companies Fund	1.35%	0.50%	1.85%
Templeton BRIC Fund	1.60%	0.50%	2.10%
Templeton China Fund	1.60%	0.50%	2.10%
Templeton Eastern Europe Fund	1.60%	0.50%	2.10%
Templeton Emerging Markets Bond Fund	1.00%	0.50%	1.50%
Templeton Emerging Markets Dynamic Income Fund	1.00%	0.50%	1.50%
Templeton Emerging Markets Fund	1.15%	0.50%	1.65%
Templeton Emerging Markets Smaller Companies Fund	1.60%	0.50%	2.10%
Templeton Euroland Fund	1.00%	0.50%	1.50%
Templeton European Dividend Fund	1.00%	0.50%	1.50%
Templeton European Small-Mid Cap Fund	1.00%	0.50%	1.50%
Templeton Frontier Markets Fund	1.60%	0.50%	2.10%
Templeton Global Balanced Fund	0.80%	0.50%	1.30%
Templeton Global Bond Fund	0.75%	0.30%	1.05%
Templeton Global Climate Change Fund	1.00%	0.50%	1.50%
Templeton Global Equity Income Fund	1.00%	0.50%	1.50%
Templeton Global Fund	1.00%	0.50%	1.50%
Templeton Global High Yield Fund	0.85%	0.50%	1.35%

Fund Name Class A Shares	Investment Management Fee	Maintenance Charge	Aggregate Charge
Templeton Global Income Fund	0.85%	0.50%	1.35%
Templeton Global Smaller Companies Fund	1.00%	0.50%	1.50%
Templeton Global Total Return Fund	0.75%	0.30%	1.05%
Templeton Global Total Return II Fund	0.75%	0.30%	1.05%
Templeton Latin America Fund	1.40%	0.50%	1.90%

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of the applicable adjusted daily Net Asset Value of the Class A Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. At least one month's prior notice will be given to all Shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

Maintenance Charge

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

The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.

The Investment Managers will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Company may invest, or any person acting on behalf of the underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

CLASS B SHARES

Share Conversion

Starting from January 2011, Class B Shares will be automatically converted into Class A Shares of the same Fund on the monthly scheduled conversion date fixed by the Management Company upon or following the expiry of 84 months after the date of their purchase. As a result, the terms and other conditions applicable to such Shares shall become those applicable to Class A Shares. No initial sales charge will apply to the conversion from Class B Shares to Class A Shares.

Initial Sales Charge

Class B Shares are purchased at their Net Asset Value price, without deduction of an initial sales charge.

Annual Management Fees

Fund Name Class B Shares	Investment Management Fee	Maintenance Charge	Servicing Charge	Aggregate Charge
Franklin Biotechnology Discovery Fund	1.00%	0.75%	1.06%	2.81%
Franklin Global Real Estate Fund	1.00%	0.75%	1.06%	2.81%
Franklin High Yield Fund	0.80%	0.75%	1.06%	2.61%
Franklin Income Fund	0.85%	0.75%	1.06%	2.66%
Franklin India Fund	1.00%	0.75%	1.06%	2.81%

Fund Name Class B Shares	Investment Management Fee	Maintenance Charge	Servicing Charge	Aggregate Charge
Franklin MENA Fund	1.50%	0.75%	1.06%	3.31%
Franklin Mutual European Fund	1.00%	0.75%	1.06%	2.81%
Franklin Mutual Global Discovery Fund	1.00%	0.75%	1.06%	2.81%
Franklin Mutual U.S. Value Fund	1.00%	0.75%	1.06%	2.81%
Franklin Technology Fund	1.00%	0.75%	1.06%	2.81%
Franklin U.S. Dollar Short-Term Money Market Fund	0.30%	0.10%	1.06%	1.46%
Franklin U.S. Government Fund	0.65%	0.50%	1.06%	2.21%
Franklin U.S. Opportunities Fund	1.00%	0.75%	1.06%	2.81%
Templeton Asian Bond Fund	0.75%	0.75%	1.06%	2.56%
Templeton Asian Growth Fund	1.35%	0.75%	1.06%	3.16%
Templeton Asian Smaller Companies Fund	1.35%	0.75%	1.06%	3.16%
Templeton BRIC Fund	1.60%	0.75%	1.06%	3.41%
Templeton Eastern Europe Fund	1.60%	0.75%	1.06%	3.41%
Templeton Emerging Markets Bond Fund	1.00%	0.75%	1.06%	2.81%
Templeton Emerging Markets Fund	1.15%	0.75%	1.06%	2.96%
Templeton European Small-Mid Cap Fund	1.00%	0.75%	1.06%	2.81%
Templeton Global Balanced Fund	0.80%	0.75%	1.06%	2.61%
Templeton Global Bond Fund	0.75%	0.75%	1.06%	2.56%
Templeton Global Equity Income Fund	1.00%	0.75%	1.06%	2.81%
Templeton Global Fund	1.00%	0.75%	1.06%	2.81%
Templeton Global Income Fund	0.85%	0.75%	1.06%	2.66%
Templeton Global Total Return Fund	0.75%	0.75%	1.06%	2.56%
Templeton Latin America Fund	1.40%	0.75%	1.06%	3.21%

The Management Company receives from the Company a monthly investment management fee equivalent to a specified percentage (detailed above) per annum of the applicable adjusted daily Net Asset Value of the Class B Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. The relevant rates are specified in the table above. At least one month's prior notice will be given to all Shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

Maintenance Charge

In the case of Class B Shares, a maintenance charge of 0.75% per annum (or 0.50% per annum in the case of the Franklin U.S. Government Fund or 0.10% per annum in the case of the Franklin U.S. Dollar Short-Term Money Market Fund) of the applicable average Net Asset Value is deducted and paid to the Principal Distributor, in order to compensate the Principal Distributor for any expenses incurred by it in connection with shareholder liaison and administration of the Shares. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.

Servicing Charge

In addition, in the case of Class B Shares, a servicing charge of 1.06% per annum of the applicable average Net Asset Value is deducted and paid to the Principal Distributor and/or other party (as described above), in order to compensate the Principal Distributor and/or other party for any financing costs and expenses incurred by it in connection with sales of Class B Shares and the handling of CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor and/or other party.

Redemption Charge
Class B Shares are subject to an early redemption charge, if they are redeemed within 4 years of purchase. The amount of the contingent deferred sales charge (CDSC) payable on redemption is calculated by multiplying the percentages set out in the table below by the lesser of:

- the current value of the Class B Shares being redeemed; or
- their Net Asset Value at the time they were purchased

	CDSC as a percentage of Net Asset Value At Redemption
Redemption During:	
1st Year following Purchase	4%
2nd Year following Purchase	3%
3rd Year following Purchase	2%
4th Year following Purchase	1%
5th Year following Purchase	None

Amounts assessed as a CDSC are paid to the Principal Distributor, or any other party that the Company may appoint from time to time, to defray distribution costs incurred by the Principal Distributor or that other party. The CDSC may be waived in whole or in part by the Principal Distributor and/or that other party at its discretion, either for individual investors or for particular groups of investors.

Commission rebates are paid to authorised agents of the Company out of the charges retained by the Principal Distributor or Hong Kong Representative.

Minimisation of CDSC – Class B Shares

In order to keep the CDSC as low as possible, each time a request to redeem Class B is placed, any Class B Shares in the Shareholder's account which are not subject to a CDSC will be sold first. If there are not enough of these to meet the redemption request, additional Shares will be redeemed in the order in which they were purchased.

In determining the applicability and rate of any CDSC, therefore, it will be assumed in a redemption of Class B Shares that:

- first a redemption will be made of those Shares representing reinvestment of dividends
- then, a redemption will be made of the remaining Shares held by the Shareholder for the longest period of time.

The holding period for the purposes of applying a CDSC on Class B Shares of a particular Fund which were acquired through an exchange of Class B from another Fund will be measured from the date that the Class B Shares were initially acquired in the other Fund. This will also ensure that the CDSC is imposed at the lowest possible rate.

Shares Issued Upon Reinvestment of Dividends
Shares issued pursuant to the automatic reinvestment of dividends are not subject to any initial sales charge or any CDSC.

The Management Company reserves the right to require additional information and/or confirmation from the investor for large purchases into Class B Shares, which may result in a delay in the processing of the investment until receipt of the requested information/ confirmation. Institutions acting as nominees are permitted to purchase Class B Shares in their own name on behalf of investors provided that they have received explicit prior approval from the Management Company to do so and do apply an agreed procedure to monitor the aging of these Shares.

The Investment Managers will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Company may invest, or any person acting on behalf of the underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

CLASS I SHARES

Availability

Class I Shares are only offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, for distribution in certain countries and/or through certain sub-distributors and/or professional investors at the discretion of the Principal Distributor.

The list of qualifying Institutional Investors are:

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

By applying for Class I Shares, an investor represents to the Company that it qualifies as one or more of the types of Institutional Investors listed above and agrees to indemnify the Company and/or any other entity of Franklin Templeton against any and all damage, losses,

costs or other expenses they may incur as a result of acting in a good faith upon such representation.

The Principal Distributor shall have full discretion to approve or reject applications for Class I Shares in the Funds and shall not be required to give any reason for its refusal. If it is identified at any time that a holder of Class I Shares does not qualify as an Institutional Investor, the Hong Kong Representative or the Company will instruct the investor to switch its Class I Shares into an eligible share class. If a switch is not executed, the Company will, at its discretion, redeem the Shares.

Class I Shares have a minimum initial investment of USD5,000,000, which may be waived in whole or part at the discretion of the Principal Distributor.

Annual Management Fees

Fund Name **Class I Shares**	**Investment Management Fee**
Franklin Global Convertible Securities Fund	0.75%
Franklin High Yield Fund	0.60%
Franklin India Fund	0.70%
Franklin Innovation Fund	0.70%
Franklin MENA Fund	1.05%
Franklin Mutual European Fund	0.70%
Franklin Mutual Global Discovery Fund	0.70%
Franklin Mutual U.S. Value Fund	0.70%
Franklin Natural Resources Fund	0.70%
Franklin U.S. Government Fund	0.40%
Franklin World Perspectives Fund	0.70%
Templeton Asian Bond Fund	0.55%
Templeton Asian Growth Fund	0.90%
Templeton Asian Smaller Companies Fund	0.90%
Templeton BRIC Fund	1.10%
Templeton Eastern Europe Fund	1.10%
Templeton Emerging Markets Bond Fund	0.70%
Templeton Emerging Markets Fund	1.00%
Templeton Emerging Markets Smaller Companies Fund	1.10%
Templeton Frontier Markets Fund	1.10%
Templeton Global Bond Fund	0.55%
Templeton Global Equity Income Fund	0.70%
Templeton Global Income Fund	0.60%
Templeton Global Total Return Fund	0.55%
Templeton Latin America Fund	1.00%

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of the applicable adjusted daily Net Asset Value of the Class I Shares issued in each Fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.

CLASS N SHARES

Availability

Class N Shares are available on a limited basis only, at the discretion of the Principal Distributor and the sale or issue of Class N Shares can be restricted to:

- existing instructions for automatic reinvestment of dividends
- existing Regular Savings Plan (RSP) instructions
- existing N Shareholders, with the prior approval of the Principal Distributor

- certain sub-distributors, dealers, advisers or professional investors, with the prior approval of the Principal Distributor.

The Principal Distributor shall have full discretion to approve or reject applications for Class N Shares in the Funds and shall not be required to give any reason for its refusal. Investors should note that Class N Shares in the Franklin U.S. Dollar Short-Term Money Market Fund will not be available for initial purchase, and will only be issued upon a switch from Class N Shares in another Fund.

Initial Sales Charge

For Class N Shares, an initial sales charges of up to 3% of the total amount invested will be applied. The initial sales charges may be waived in whole or in part by the Principal Distributor either for individual investors or for particular group of investors.

Annual Management Fees

Fund Name **Class N Shares**	**Investment Management Fee**	**Maintenance Charge**	**Aggregate Charge**
Franklin High Yield Fund	0.80%	1.00%	1.80%
Franklin Income Fund	0.85%	1.00%	1.85%
Franklin India Fund	1.00%	1.25%	2.25%
Franklin MENA Fund	1.50%	1.00%	2.50%
Franklin Mutual European Fund	1.00%	1.25%	2.25%
Franklin Mutual Global Discovery Fund	1.00%	1.25%	2.25%
Franklin Mutual U.S. Value Fund	1.00%	1.25%	2.25%
Franklin U.S. Government Fund	0.65%	1.00%	1.65%
Franklin U.S. Opportunities Fund	1.00%	1.25%	2.25%
Templeton Asian Bond Fund	0.75%	1.00%	1.75%
Templeton Asian Growth Fund	1.35%	1.00%	2.35%
Templeton BRIC Fund	1.60%	1.00%	2.60%
Templeton Eastern Europe Fund	1.60%	1.00%	2.60%
Templeton Emerging Markets Fund	1.15%	1.00%	2.15%
Templeton Global Bond Fund	0.75%	1.00%	1.75%
Templeton Global Equity Income Fund*	1.00%	1.25%	2.25%
Templeton Global Fund	1.00%	1.25%	2.25%
Templeton Global Income Fund	0.85%	1.00%	1.85%
Templeton Global Smaller Companies Fund	1.00%	1.25%	2.25%
Templeton Global Total Return Fund	0.75%	1.00%	1.75%
Templeton Latin America Fund	1.40%	1.00%	2.40%

** The Class N Shares of the Templeton Global Equity Income Fund have ceased to be offered under this Explanatory Memorandum.*

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (described above) per annum of the applicable adjusted daily Net Asset Value of the Class N Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. At least one month's prior notice will be given to all Shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

In addition to any other terms, Class N Shares are subject to an annual maintenance charge as stated in the table above, deducted and paid to the Principal Distributor for any expenses incurred by it in connection with shareholder liaison and administration of the Shares. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.

Commission rebates are paid to authorised agents of the Company out of the initial charges retained by the Principal Distributor or Hong Kong Representative.

The Investment Managers will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Company may invest, or any person acting on behalf of the underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

OTHER FEES

As remuneration for the services rendered to the Company as Depositary of the Company, J.P. Morgan Bank Luxembourg S.A. will receive an annual fee ranging from 0.01% to 0.14% of the Net Asset Values of the different Funds, with possible higher depositary annual fees for those Funds of the Company the investment objectives and policies of which provide for investments in equity securities of issuers in developing countries, as reflected in more details in the Funds' relevant total expense ratio and in the Company financial reports. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary by the Company.

Franklin Templeton International Services S.à r.l., for performing, as Management Company, registrar and transfer, corporate, domiciliary and administrative functions for the Company, will receive as remuneration from the Company a maximum annual fee of 0.2175% of the net asset value of the Company, an additional fixed amount of USD30 per Shareholder account at the relevant Class level over each one (1) year period (for example, if an account is open for one month, the Company will pay Franklin Templeton International Services S.à r.l. USD30/12 for that account for that month). Such remuneration will be calculated and accrued daily and will be paid monthly in arrears. This annual fee includes any remuneration paid to J.P. Morgan Bank Luxembourg S.A. for its services rendered to the Company as Administrative Agent.

The Management Company and/or the Investment Managers may, from time to time, pay a part of the investment management fee to various sub-distributors, intermediaries, brokers, dealers, professional investors and/or assimilated entities, which may or may not be part of Franklin Templeton, as compensation for rendering shareholder services to their respective clients. The Management Company will also be paid a fixed amount per year to cover certain organizational expenses that were previously attributable to and paid directly by the Company.

No connected person of the Company is entitled to brokerage or other transaction benefits. Moreover, neither the Company, the Investment Managers nor any of their connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions for a Fund to such brokers or dealers, save that goods and services (soft dollars) as described in the paragraph below may be retained.

Consistent with obtaining the best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to broker-dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such broker-dealers. Any such brokerage commissions will be at rates not in excess of customary institutional full-service brokerage rates, and any goods and services received will be of demonstrable benefit to the Funds. Periodic disclosure will be made in the annual report of the Company in the form of a statement describing the soft dollar policies and

practices of the Management Company or the Investment Managers, including a description of goods and services received by them. The availability of soft dollar arrangements will not be the sole or primary purpose to perform or arrange transaction with such broker-dealers.

The fees of all the appointed sub-advisors will be borne by the Investment Managers.

The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the views and information of individuals and research staff of other firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Managers.

The Company bears its other operational costs including, but not limited to, costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, interest, reporting and publication expenses, postage, telephone and facsimile. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund, and are capped at certain levels as set forth in the annual report of the Funds. No advertising expenses other than the costs of preparation and printing of the Explanatory Memorandum and any offering circular in relation to one or more Funds and the reports and accounts will be borne by the Company.

The costs and expenses incurred for adding additional Funds to the Company are considered as expense items for the relevant Fund and shall be borne by the Company. The establishment expenses for the following Funds are estimated to be approximately US$8,000 to US$10,000 (each) and are borne by the Company:

(i) Franklin Global Convertible Securities Fund
(ii) Franklin Global Income Fund
(iii) Franklin Innovation Fund
(iv) Franklin NextStep Balanced Growth Fund
(v) Franklin NextStep Dynamic Growth Fund
(vi) Franklin NextStep Stable Growth Fund
(vii) Franklin Strategic Income Fund
(viii) Templeton Global Total Return II Fund

The Company currently does not have any outstanding establishment costs.

DIVIDENDS AND ACCOUNTS

DIVIDENDS

It is the intention of the Board of Diretors to recommend distribution of substantially the whole of each Fund's net investment income attributable to the distribution Shares in each year. Investors should note that:

(a) subject to any legal or regulatory requirements, the Company may at its discretion pay dividends out of the capital (including net realised and net unrealised capital gains) or gross income of the Company while charging/paying all or part of the Company's fees and expenses to/out of the capital of the Company, resulting in an increase in distributable income for the payment of dividends by the Company and therefore, the Company may effectively pay dividends out of capital;

(b) payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

(c) any distributions involving payment of dividends out of the Company's capital or payment of dividends effectively out of the Company's capital (as the case may be) may result in an immediate reduction of the Net Asset Value per Share;

(d) the composition of the dividends (*i.e.*, the relative amounts paid out of (i) net distributable income and (ii) capital (including net realised and net unrealised capital gains)) for the last 12 months are made available by the Hong Kong Representative on request and also on the Hong Kong Representative's website; and

(e) the Company may amend the policy with respect to such distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

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

Share name	**Dividends Declared**	**Payments**
A (Mdis), B (Mdis), and N (Mdis)	Monthly	Start of each calendar month
A (Qdis) and B (Qdis)	Quarterly	Start of January, April, July and October
A (Ydis)	Yearly	July or August

Share classes with "pc" in their names (e.g. Class A (Mdis-pc)) are distribution share classes designed to offer, under normal market conditions, dividend distribution at a fixed percentage of the Net Asset Value per Share. This may result in such share classes either paying out both income and capital in distribution payments, or not substantially distributing all the investment income which a share class has earned. The dividends, which are not dependent on the level of income or capital gains actually received or generated by the Fund may be paid out of capital and further reduce the relevant Fund's and share classes' Net Asset Value. Dividends paid out of capital could be taxed as income in certain jurisdictions. The distribution frequency, as well as the respective target distribution rate for such share classes will be disclosed in the Product

Key Facts Statement of the relevant Fund as well as in the "Dividend Schedule" available on the Hong Kong Representative's website at *www.franklintempleton.com.hk*[*] or upon request from the Hong Kong Representative. The Board of Directors reserves the right to change the fixed percentage of the "pc" distribution share classes at any time, subject to one month's prior notification to the relevant Shareholders. For example, if it is believed after review of the market and Fund circumstances that the estimated level of income that the Fund is reasonably in a position to generate does not correspond to the declared fixed distribution target of the share class. In such a case, a lower amount of dividend to be distributed may be declared and the new target distribution rate will be disclosed in the Product Key Facts Statement of the relevant Fund as well as in the "Dividend Schedule" as mentioned above. Equally, the Board of Directors may deem appropriate to declare a dividend higher than the target fixed distribution if it is envisaged that the level of income of the Fund is greater than the target fixed distribution of the share class.

If the Board of Directors does not intend to retain the flexibility to pay dividend or expenses out of capital, the change will be subject to the SFC's prior approval and one month's prior notification to the relevant Shareholders.

Except for accumulation shares as more fully described below, unless otherwise requested at the time of application, or by subsequent written request, dividends are automatically reinvested to purchase further Shares of the Fund(s) from which they are paid. There are no initial charges or contingent deferred sales charges applicable to reinvested dividends. In the event that dividends are to be paid in cash in the currency of the particular Fund, or at the Shareholder's expense in any other freely exchangeable currency, they will be paid to holders by telegraphic transfer or as per the discretion of the Hong Kong Representative and/or the Board of Directors. The Board of Directors may decide that any dividend below USD50 (or currency equivalent) will be reinvested in further Shares of the same share class instead of being paid directly to the investors.

No distribution of dividends shall be made in respect of Class A (acc), Class B (acc), Class I (acc) and Class N (acc) Shares, but the net income attributable will be reflected in the increased value of the Shares. In order to receive dividends on distribution Shares, holders must be registered as holders of such distribution Shares on the register of Shareholders on the Valuation Day determined by the Company as being the record date.

It should be remembered that dividend distributions are not guaranteed, that the Funds do not pay interest and that the price of Shares in the Funds and any income earned on the Shares may go down as well as up.

When dividends of USD250 (or currency equivalent) or less cannot be paid to a registered investor due to missing data or payment unable to be effected, the Company or the Management Company reserves the right, unless otherwise disclosed, to automatically re-invest such dividends and any subsequent dividends to be paid in the purchase of further distribution Shares of the Fund and share class to which such dividends relate until receipt of instructions in good order from the investor.

[*] The website has not been reviewed by the SFC.

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

ACCOUNT STATEMENTS

Whenever a transaction (e.g. purchase, switch, redemption or transfer) within the Funds is effected, the Shareholder will receive a statement to detail the information which includes, number of Shares, price, cost or value. In addition, monthly valuations of Shareholders' accounts will be sent to the last known address of the Shareholder, to provide current information about the shareholding and its value.

In addition, Shareholders may also request the issue of an interim statement at any time. For Regular Savings Plan investors, a statement will be sent to them following investment of each monthly contribution.

REPORTS AND ACCOUNTS

The financial year-end of the Company is 30 June each year. The Company's audited annual report and semi-annual unaudited financial report are made available on the website of the Hong Kong Representative at *www.franklintempleton.com.hk*[*], within four months and two months respectively after the end of the period covered. These reports are available in English only, and are also available free of charge at the office of the Hong Kong Representative.

[*] The website has not been reviewed by the SFC.

BENCHMARK DISCLOSURE

Shareholders should note that these benchmarks may change over time and that the Prospectus will be updated accordingly. The current list of benchmarks applicable for the Funds is available on the Internet site: *https://www.franklintempleton.lu*[*].

For Funds using the Value-at-Risk approach expressed in relative terms (relative VaR) to calculate their Global Exposure, the benchmarks are used as a basis for relative VaR calculation. These Funds are actively managed and are not obliged to hold any of the benchmark constituents and may invest up to 100% of their net assets outside the benchmarks.

– Franklin Global Real Estate Fund

Benchmark: FTSE EPRA/NAREIT Developed Index

Benchmark uses and resemblance: The Fund is actively managed. Although the Fund does not intend to track the performance of the benchmark, it is referenced for comparison purposes. Given the limited investment universe within the listed Real Estate sector, most of the Fund's assets are likely to be components of the Benchmark. While the Investment Manager is unconstrained in the active management of the Fund and has absolute discretion to invest in companies not included in the Benchmark, the Fund's performance may, from time to time, present close similarities with it.

– Templeton Asian Smaller Companies Fund

Benchmark: MSCI AC Asia ex-Japan Small Cap Index

Benchmark uses and resemblance: The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

– Templeton Emerging Markets Smaller Companies Fund

Benchmark: MSCI Emerging Markets Small Cap Index (Index)

Benchmark uses and resemblance: The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

– Templeton Global Climate Change Fund

Benchmarks:

- MSCI All Country World index (used for performance comparison purposes - neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat).
- MSCI Provisional ACWI Climate Change EU Climate Transition Index (used to measure the sustainable investment objective of the Fund)

Benchmark uses and resemblance: The Fund is actively managed. The Fund is not obliged to hold any of the benchmarks constituents and may significantly depart from the composition of these benchmarks.

[*] The website has not been reviewed by the SFC.

– Templeton Global Smaller Companies Fund

Benchmark: MSCI All Country World Small Cap Index

Benchmark uses and resemblance: The Fund is actively managed. The Fund uses a benchmark index to define small caps as the range of acceptable market caps at initial purchase and also as a reference for Investors to compare against the Funds' performance. The Fund is not obliged to hold any of the benchmark constituents and may indeed invest up to 100% of its net assets outside the benchmark.

With the exception of the Funds listed above, all benchmarks disclosed below are used solely as a reference for Investors to compare against the Funds' performance, and these benchmarks are neither used as a constraint on how the Funds' portfolio are to be constructed nor set as a target for the Funds' performance to beat. All Funds are actively managed:

- Franklin Biotechnology Discovery Fund: NASDAQ Biotechnology Index
- Franklin Euro Government Bond Fund: Bloomberg Barclays Euro Government Bond Index.
- Franklin Euro High Yield Fund: ICE BofA Euro High Yield Constrained Index
- Franklin Global Convertible Securities Fund: Refinitiv Global Focus Convertible Index
- Franklin Global Income Fund: Blended 50% MSCI ACWI High Dividend Yield-NR + 20% Bloomberg Barclays Global High Yield Corporate + 30% Bloomberg Barclays Global Aggregate Index
- Franklin Gold and Precious Metals Fund: FTSE Gold Mines Index
- Franklin High Yield Fund: ICE BofA US High Yield Constrained Index
- Franklin Income Fund: Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg Barclays High Yield Very Liquid Index + 25% Bloomberg Barclays US Aggregate Index
- Franklin India Fund: MSCI India Index-NR
- Franklin Innovation Fund: Russell 1000 Growth Index
- Franklin MENA Fund: S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%
- Franklin Mutual European Fund: MSCI Europe Value Index-NR
- Franklin Mutual Global Discovery Fund: MSCI World Value Index-NR
- Franklin Mutual U.S. Value Fund: Russell 1000 Value Index-NR
- Franklin Natural Resources Fund: S&P North American Natural Resources Sector Index
- Franklin NextStep Balanced Growth Fund: Blended 30% Bloomberg Barclays Multiverse (hedged to USD) + 30% MSCI AC Asia Pacific Ex-Japan + 30% MSCI ACWI + 10% JPM GBI-EM Broad Diversified Asia Index
- Franklin NextStep Dynamic Growth Fund: Blended 40% MSCI AC Asia Pacific Ex-Japan + 35% MSCI ACWI + 20% Bloomberg Barclays Multiverse (hedged to USD) + 5% JPM GBI-EM Broad Diversified Asia Index
- Franklin NextStep Stable Growth Fund: Blended 60% Bloomberg Barclays Multiverse (hedged to USD) + 15% MSCI AC Asia Pacific Ex-Japan + 15% JPM GBI-EM Broad Diversified Asia Index + 10% MSCI ACWI.
- Franklin Strategic Income Fund: Bloomberg Barclays US Aggregate Index
- Franklin Technology Fund: MSCI World Information Technology Index
- Franklin U.S. Dollar Short-Term Money Market Fund: LIBID-USD-1-Month-Rate Index
- Franklin U.S. Government Fund: Bloomberg Barclays US Government - Intermediate Index

- Franklin U.S. Opportunities Fund: The Russell 3000 Growth Index is considered the Fund's primary benchmark because it consists of growth securities, which is aligned with the investment manager's focus on growth securities. The performance of the S&P 500 Index is provided because it is considered a proxy for the US equity market.
- Franklin World Perspectives Fund: MSCI World Index-NR
- Templeton Asian Bond Fund: JPM GBI-EM Broad Diversified Asia Index
- Templeton Asian Growth Fund: MSCI All Country Asia ex-Japan 10/40 Index-NR
- Templeton BRIC Fund: MSCI BRIC Index-NR
- Templeton China Fund: MSCI China 10/40 Index-NR
- Templeton Eastern Europe Fund: MSCI EM Europe Index-NR
- Templeton Emerging Markets Bond Fund: JP Morgan EMBI Global Index
- Templeton Emerging Markets Dynamic Income Fund: Blended 50% MSCI Emerging Markets-NR + 50% JP Morgan GBI-EM Global Diversified Index
- Templeton Emerging Markets Fund: MSCI Emerging Markets Index-NR
- Templeton Euroland Fund: MSCI EMU Index-NR
- Templeton European Dividend Fund: MSCI Europe Index-NR
- Templeton European Small-Mid Cap Fund: MSCI Europe Small-Mid Cap Index-NR
- Templeton Frontier Markets Fund: MSCI Frontier Emerging Markets Select Countries Capped Index-NR
- Templeton Global Balanced Fund: Custom 65% MSCI ACWI-NR + 35% JP Morgan Global Government Bond Index
- Templeton Global Bond Fund: JP Morgan Global Government Bond Index.
- Templeton Global Equity Income Fund: MSCI All Country World Index-NR
- Templeton Global Fund: MSCI All Country World Index-NR
- Templeton Global High Yield Fund: Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index
- Templeton Global Income Fund: Blended 50% MSCI All Country World Index-NR + 50% Bloomberg Barclays Multiverse Index
- Templeton Global Total Return Fund: Bloomberg Barclays Multiverse Index
- Templeton Global Total Return II Fund: Bloomberg Barclays Multiverse Index
- Templeton Latin America Fund: MSCI EM Latin America Index-NR

ADDITIONAL INFORMATION

MEETINGS

The annual general meeting of Shareholders is held at the registered office of the Company on 30 November of each year or, if such day is not a Luxembourg business day, on the Luxembourg business day immediately following the 30th day of November.

Notice of any extraordinary meeting of the Company will be given to the investors at least 21 days prior to the date of the meeting. Minimum 25% quorum and 75% majority voting requirements apply to any extraordinary resolution. Termination or dissolution of the Company or amendment to its Articles would require an extraordinary resolution.

CALCULATION OF THE NET ASSET VALUE

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

VALUATION

The assets of the Company shall be deemed to include:

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

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

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

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

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

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

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

Total liabilities include:

(a) all loans, bills and accounts payable;

(b) all accrued or payable administrative expenses (including Management Company fees, investment management and/or advisory fees, depositary fees, and corporate agents' fees);

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

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

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

In valuing assets, the following rules will apply, unless otherwise provided for in the below section "Specific provisions relating to the calculation of the Net Asset Value per Share of Funds qualifying as Money Market Funds" applicable to Money Market Funds.

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

In determining the Net Asset Value of a Fund, the Management Company and/or the Administrative Agent, values cash and receivables at their realisable amounts and records interests as accrued and dividends on the ex-dividend date. The Management Company and/or the Administrative Agent generally utilises two independent pricing services to assist in

determining a current market value for each security. If market quotations are readily available for portfolio securities quoted or dealt on a stock exchange, the Management Company and/or the Administrative Agent will value those securities at their latest available price on said stock exchange (last quoted sale price or official closing price of the day, respectively), or if there is no reported sale, within the range of the most recent bid and ask prices. Securities dealt on an organised market will be valued in a manner as near as possible to that for quoted securities.

The Management Company and/or the Administrative Agent values over-the-counter portfolio securities acquired by a specific fund in accordance with the investment restrictions set forth under the section "INVESTMENT RESTRICTIONS", within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Management Company and/or the Administrative Agent values them according to the broadest and most representative market as determined by the Board of Directors.

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

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

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

The fair value pricing shall be applied by the Management Company with due skill, care and diligence, in good faith and in consultation with the Depositary.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that a Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Management Company and/or the Administrative Agent determines a Fund's Net Asset Value per Share.

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

Where a third party is engaged in the valuation of the assets of a Fund, the Management Company shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such third party in ensuring such entity possesses the appropriate level of knowledge, experience and resources is commensurate with the valuation policies and procedures for such Fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Management Company.

Specific provisions relating to the calculation of the Net Asset Value per Share of Funds qualifying as Money Market Funds

By derogation to the above provisions, in valuing assets, the following valuation principles will apply for Funds qualifying as "Money Market Funds":

(1) Assets will be valued at Mark-to-Market or Mark-to-Model where the use of Mark-to-Market is not possible or the market data is not of sufficient quality;
(2) The value of any cash on hand or on deposit and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined conservatively by using Mark-to-Model;
(3) Shares or units of Money Market Funds shall be valued at their last available net asset value as reported by such Money Market Funds;
(4) Any assets or liabilities in currencies other than the Base Currency will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.

ALLOCATION OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

SWING PRICING ADJUSTMENT

A Fund may suffer reduction of the Net Asset Value per Share due to investors purchasing, redeeming and/or switching in and out of the Fund at a price that does not reflect the dealing costs associated with the Fund's portfolio trades undertaken by the Investment Manager to accommodate cash inflows or outflows. Such reduction in the Net Asset Value per Share as a result of the dealing costs associated with the Fund's portfolio trades is known as "dilution".

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

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

operate a full swing pricing mechanism where the threshold is set to zero or a partial swing pricing mechanism where the threshold is greater than zero.

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

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

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

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

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

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

The price adjustment information is available on request from the office of the Hong Kong Representative.

On certain share classes, the Management Company may be entitled to a performance fee, where applicable, this will be based on the unswung NAV.

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

SUSPENSION AND TERMINATION

The Company may, after consultation with the Depositary, having regard to the best interests of Shareholders, suspend the determination of the Net Asset Value of Shares of any Fund and hence the issue, redemption or switching of Shares in the Funds when: (a) there is a closure or suspension of trading on any market on which a substantial portion of that Fund's investments

[*] The website has not been reviewed by the SFC.

are normally quoted, listed, or dealt in; (b) the existence of any state of affairs which constitutes an emergency as a result of which the disposal or valuation of investments attributable to that Fund is impracticable; (c) when there is a breakdown or restriction in the means of communication normally employed in determining the price or value of any of that Fund's investments or the current price or values on any stock exchange or market; (d) the value of that Fund's investments cannot, in the opinion of the Board of Directors, be transferred or repatriated at normal rates of exchange; (e) any period when the Net Asset Value of Shares of any Fund may not be determined accurately; (f) during any period when in the opinion of the Board of Directors there exists unusual circumstances where it would be impractical or unfair towards the investors to continue dealing in the Shares of any Fund or circumstances where a failure to do so might result in the investors or a Fund incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the investors or a Fund might not otherwise have suffered; (g) if the Company or a Fund is being or may be wound-up, on or following the date on which such decision is taken by the Board of Directors or notice is given to Shareholders of a general meeting at which a resolution to wind-up the Company or a Fund is to be proposed; (h) in the case of a merger, if the Board of Directors deems this to be justified for the protection of the Shareholders; or (i) in the case of a suspension of the calculation of the net asset value of one or several underlying investment funds in which a Fund has invested a substantial portion of assets.

Suspension of determination of the Net Asset Value of Shares of one fund will not imply suspension in respect of other Funds unaffected by the relevant events. Shareholders who have requested switching or redemption of their Shares or who have made an application to subscribe for Shares will be notified in writing of any such suspension of the right to subscribe, to convert or to require redemption of Shares and will be promptly notified upon termination of such suspension. Any such suspension will be immediately notified to the SFC and published as soon as may be practicable after the decision to suspend is made, and at least once a month during the period of such suspension, on the Hong Kong Representative's website at *www.franklintempleton.com.hk*[*].

The Company may be dissolved by resolution of the Shareholders if the capital of the Company falls below two-thirds of its minimum capital. If such a liquidation is carried out, it will be in accordance with the relevant provisions of Luxembourg law. The Board of Directors may also determine to close any existing Fund if its net assets are below USD 50 million (or the equivalent thereof in the base currency of the relevant Fund) or under certain other circumstances (including a change in the economic or political situation relating to the Fund concerned that would justify such termination or if such termination is in the interests of the shareholders of the Fund concerned). If there is any such termination of a Fund, at least one month's prior notice to the Shareholders of all classes of the relevant Fund will be given. Liquidation proceeds unclaimed by Shareholders will be deposited at the Caisse de Consignation in Luxembourg and shall be forfeited after thirty years in accordance with the provisions of the laws of the Grand Duchy of Luxembourg.

The Company may in the interests of the Shareholders, subject to one month's notice, arrange for a Fund to be merged with another Fund of the Company. The decision to liquidate, to merge or to reorganize a Class of Shares may be taken at a meeting of the Shareholders of the relevant Class and may be approved by a simple majority of the Shareholders without quorum. The

[*] The website has not been reviewed by the SFC.

Shareholders will be given at least one month's prior notice to enable them to request redemption or switching of their Shares before such decision becomes effective.

SPECIFIC INFORMATION ON MONEY MARKET FUNDS

Shareholders' attention is drawn to the fact that:
- Money Market Funds are not a guaranteed investment;
- an investment in a Money Market Fund is different from an investment in deposits as the principal invested in a Money Market Fund is capable of fluctuation;
- the Company does not rely on external support for guaranteeing the liquidity of the Funds which qualify as Money Market Funds or stabilising the Net Asset Value per Shares of those Funds; and
- the risk of loss of the principal is borne by the Shareholders.

In addition to the information made available to Shareholders in accordance with the main part of the Explanatory Memorandum, the following information will be made available at the registered office of the Company and on the website of the Management Company (*www.franklintempleton.lu*[*]) on a weekly basis:
- the maturity breakdown of the portfolio of the relevant Fund;
- the credit profile of the relevant Fund;
- the Weighted Average Maturity and the Weighted Average Life of the relevant Fund;
- details of the 10 largest holdings in the Fund, including the name, country, maturity and asset type, the counterparty in the case of repurchase and reverse repurchase agreements;
- the total value of the relevant Fund; and
- the net yield of the relevant Fund.

TAXATION

The Company

As the Company has been authorised by the SFC in Hong Kong, profits of the Company arising from the sale or disposal of securities, interest received by or accruing to the Company and certain other profits of the Company (including those under foreign exchange contracts and certain futures contracts) are exempt from Hong Kong profits tax. It is not expected that any other significant profits arising from the activities of the Company will be subject to Hong Kong profits tax.

The information in the following paragraphs is based on the laws, regulations, decisions and practice currently in force in Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of Shares and is not intended as tax advice to any particular investor or potential investor.

The Company is not liable to any Luxembourg tax on its profits or income and is not subject to Luxembourg's net wealth tax. The Company, however, is liable in Luxembourg to a tax of 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is

[*] The website has not been reviewed by the SFC.

not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax. In order to qualify under the current reduced tax rate of 0.01% (instead of the tax of 0.05% referred to above), the Franklin U.S. Dollar Short-Term Money Market Fund will be invested in a manner that the weighted average remaining maturity of all securities and instruments comprised in the portfolios of the respective Funds does not exceed twelve months. For the purpose of calculating the residual maturity of each single security or instrument, the financial instruments attached thereto shall be taken into account. For the securities or instruments whose terms of issue provide for an adjustment of their interest rate by reference to market conditions, the residual maturity until the date on which the rate is adjusted shall be considered.

Class I Shares may also qualify for the reduced tax rate of 0.01% if all the investors of the share class are Institutional Investors.

No stamp duty or other tax is payable in Luxembourg on the issue of the Shares in the Company. A Euro 75 registration duty is to be paid upon incorporation and each time the Articles are amended. Under current law and practice, no capital gains tax is payable in Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

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

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

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

Taxation of Shareholders

Except as mentioned below, Shareholders will not be subject to any Hong Kong tax on distributions from the Company or on capital gains realised on the sale of any Shares in the Company. If the acquisition and realisation of Shares in the Company is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by the relevant Shareholder may attract Hong Kong profits tax. No Hong Kong stamp duty will be payable on the issue or transfer of Shares in the Company. The foregoing is given on the basis of the Board of Directors' understanding of present legislation and practice in Hong Kong.

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

Investors should consult their professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company's Shares under the laws of their countries of citizenship, residence and domicile.

AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION

On 29 October 2014, the Grand Duchy of Luxembourg signed the Multilateral Competent Authority Agreement (the "**MCAA**") on the implementation of the Global Standard for the

automatic exchange of financial account information. By signing the MCAA, Luxembourg agreed to implement regulations to enable the adoption of automatic exchange of information with other MCAA signatory countries.

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

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

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

FOREIGN ACCOUNT TAX COMPLIANCE ACT

The Foreign Account Tax Compliance Act ("**FATCA**"), which is an amendment to the US Internal Revenue Code, was enacted in the United States in 2010 and many of the operative provisions came into effect on 1 July 2014. Generally, FATCA requires financial institutions outside the US ("**foreign financial institutions**" or "**FFIs**") to provide the U.S. Internal Revenue Service ("**IRS**") with information about financial accounts held directly or indirectly by certain specified US Persons. A 30% withholding tax is imposed on certain types of US sourced income (including dividends, interest and certain derivative payments) and on gross proceeds of sale of certain US assets that can produce US sourced income paid to an FFI that fails to comply with FATCA.

On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("**IGA**") with the United States of America and a memorandum of understanding in respect thereof. The Company would hence have to comply with such Luxembourg IGA, once the IGA has been implemented into Luxembourg law in order to comply with the provisions of FATCA rather than directly complying with the US Treasury Regulations implementing FATCA. Under the IGA, the Company will be required to collect information aiming to identify its direct and indirect Shareholders that are US Persons for FATCA purposes ("**reportable accounts**"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will

exchange that information on an automatic basis with the Government of the United States of America.

The Company is a "sponsored investment entity" for the purposes of FATCA and is a deemed-compliant FFI. The Company intends to comply with the provisions of the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed US investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the Luxembourg IGA places upon it. As from the date of signature of the Luxembourg IGA and until the Grand Duchy of Luxembourg has implemented the national procedure necessary for the entry into force of the IGA, the United States Department of the Treasury will treat the Company as complying with and not subject to FATCA withholding.

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

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

(ii) report information concerning a Shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a US reportable account under the Luxembourg IGA;

(iii) report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution; and

(iv) (if permitted by applicable laws and regulations) deduct applicable US withholding taxes from certain payments made to a Shareholder by or on behalf of the Company in accordance with FATCA and the Luxembourg IGA, if applicable, from 2017 or later. The Management Company in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

This is a complex area and therefore all prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on them and on an investment in the Company. Investors are also recommended to check with their advisers and intermediaries (if applicable) as to their intention to comply with FATCA.

IDENTITY PROOF

To ensure compliance with guidelines, code or regulations applicable to the Company, the Management Company and the Hong Kong Representative, investors may be required to provide evidence of identity and, in the case of Institutional Investors, of legal existence and corporate authority. Where an investor is acting on behalf of another person, evidence of true identity of the principal, or confirmation by the investor that evidence of the underlying principal has been obtained and that the investor is satisfied as to the source of funds, will be

required. Failure to provide such information may result in the withholding of redemption proceeds or the rejection of the subscription.

DATA PROTECTION

All personal data of investors (the "**Personal Data**") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Management Company may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the Management Company and other companies of Franklin Templeton, including Franklin Resources, Inc. and/or its subsidiaries and associates, the Depositary, the Administrative Agent and any other third parties (including but not limited to printing and mailing services) which provide services to them, any of which may be established outside Luxembourg and/or the European Union, including the US and India. Such Personal data shall be processed for the purposes of account administration, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, for the purpose of compliance with Foreign Account Tax Compliance Act ("**FATCA**") or similar laws and regulations (e.g. on OECD level). The Company and/or the Management Company, for the purpose of FATCA or other legal compliance, may be required to disclose Personal Data relating to US Persons and/or non-participant Foreign Financial Institutions (as defined in FATCA) to the Luxembourg tax authorities which may transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton group may also use Personal Data for other purposes set forth in the Franklin Templeton Privacy and Cookies Notice (the "**Privacy Notice**").

As explained in the above provisions, all personal data of Hong Kong Shareholders will be processed in accordance with the Personal Data (Privacy) Ordinance in Hong Kong.

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

The Privacy Notice provides, among others, further information on the Company's and Franklin Templeton's use of Personal Data, the types of Personal Data processed, the other purposes for which Personal Data is processed, the list of entities involved in the processing of Personal Data as well as the rights of the data subjects. The Privacy Notice is available on the Internet site: *http://www.franklintempletonglobal.com/privacy*[*] (a paper copy will be made available free of charge upon request). If an investor wishes to exercise its individual rights, or to raise any question, concern or complaint concerning the Privacy Notice, it may contact the Management Company, the Hong Kong Representative, or the Data Protection Officer (Email address: DataProtectionOfficer@franklintempleton.com).

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

[*] The website has not been reviewed by the SFC.

SHAREHOLDER NOTIFICATIONS

Any relevant notifications or other communications to Shareholders concerning their investment in the Fund (including contract notes) may be communicated to a Shareholder via electronic means of communication in accordance with Luxembourg or Hong Kong rules, where the Shareholder has consented and provided an e-mail address and/or relevant electronic contact details to the Management Company for such purposes. Relevant notifications or other communications to Shareholders concerning their investment in the Company may also be posted on the website *https://www.franklintempleton.lu*[*]. In addition, and where required by Luxembourg/Hong Kong law or the Luxembourg/Hong Kong regulator, Shareholders will also be notified in writing or in such other manner as prescribed under Luxembourg/Hong Kong law. In particular, Shareholders should refer to the "DIVIDENDS AND ACCOUNTS – REPORTS AND ACCOUNTS" and "ADDITIONAL INFORMATION – MEETINGS" sections.

In electronic communications and dealings, Franklin Templeton will make reasonable efforts to preserve and protect confidentiality of data communicated. Recipients of electronic communications should be aware that the integrity and confidentiality of electronic online communication transiting through the internet may not be guaranteed due to a multiplicity of factors including, but not limited to, vulnerability of hardware, software, operating system or electronic platform employed by such recipients in their dealings with Franklin Templeton.

OTHER INFORMATION

Copies of (a) the Articles of the Company, (b) the agreements by which the Management Company and Principal Distributor, the Investment Managers, the Sub-Managers, the Depositary, and the Hong Kong Representative have been appointed and (c) the risk management and control policy employed by the Management Company in relation to the Company's investment in financial derivative instruments, are available for inspection free of charge during normal office hours at the offices of the Hong Kong Representative at the address set out below and copies thereof may be obtained from the Hong Kong Representative at a reasonable price per set of documents referred to in (a) and (b) above.

[*] The website has not been reviewed by the SFC.

MANAGEMENT AND ADMINISTRATION

MANAGEMENT COMPANY

The Company has appointed Franklin Templeton International Services S.à r.l. as the Company's management company (the "Management Company") to be responsible on a day-to-day basis under the supervision of the Board of Directors, for providing administration, marketing, investment management and advice services in respect of all Funds. The Management Company has at all times delegated the portfolio management services to the Investment Managers, which may in turn further delegate the portfolio management services to Sub-Managers.

The Management Company was incorporated on 17 May 1991 under the laws of the Grand Duchy of Luxembourg and its articles of incorporation are deposited with the Luxembourg Registre de Commerce et des Sociétés. The Management Company is approved as a management company regulated by chapter 15 of the Law of 17 December 2010 and will comply at all times with article 102 of the Law of 17 December 2010. The Management Company is part of Franklin Templeton.

The Management Company will ensure compliance of the Company with applicable laws and constitutive documents and oversee the implementation of the Company's investment objectives, strategies and policies.

The Management Company will also act as registrar and transfer, corporate, domiciliary and principal administrative agent of the Company and will therefore be responsible for processing the purchase, selling and switching of Shares, the maintenance of accounting records and all other administrative services as required by Luxembourg law. The Management Company is authorised to delegate and has delegated certain administrative services to third parties as described under section "ADMINISTRATIVE AGENT" below, subject however to its overall supervision and oversight.

INVESTMENT MANAGERS AND SUB-MANAGERS

Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC, Franklin Templeton Investimentos (Brasil) Ltda., Franklin Templeton Investments Corp., Franklin Templeton Investment Management Limited, Franklin Templeton Investments (Asia) Limited, Franklin Templeton Investments (ME) Limited, Templeton Asset Management Ltd., Templeton Global Advisors Limited and Templeton Investment Counsel, LLC have been appointed by the Management Company to act as Investment Managers and/or Sub-Managers to the Funds of the Company (as listed in the section "FUND INFORMATION, OBJECTIVES AND INVESTMENT POLICIES"), as may other affiliated investment advisory companies within the Franklin Templeton group, and provide day-to-day management in respect of the investment and reinvestment of the assets of the Funds. The sub-advisors appointed in relation to certain Funds of the Company do not have discretionary investment management decision making capacity.

DEPOSITARY

J.P. Morgan Bank Luxembourg S.A. has been appointed as the Depositary to provide depositary, custodial, settlement and certain other associated services to the Company.

J.P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a société anonyme and has its registered office at European Bank & Business Centre, 6C, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg since its incorporation.

The Depositary will further:

a) ensure that the issue, redemption and cancellation of Shares effected by the Company or on its behalf are carried out in accordance with the Law of 17 December 2010 and the Articles;
b) ensure that the value per Share of the Company is calculated in accordance with the Law of 17 December 2010 and the Articles;
c) carry out, or where applicable, cause any subcustodian or other custodial delegate to carry out the instructions of the Company or the relevant Investment Manager(s) unless they conflict with the Law of 17 December 2010 or the Articles;
d) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and
e) ensure that the income of the Company is applied in accordance with the Articles.

The Depositary may entrust all or part of the assets of the Company that it holds in custody to such subcustodians as may be determined by the Depositary from time to time. Except as provided in applicable laws, the Depositary's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

The Depositary shall assume its functions and responsibilities in accordance with applicable laws as further described in the depositary agreement entered into between the Depositary, the Company and the Management Company.

<u>The Depositary Agreement</u>

The Company has appointed the Depositary as depositary under a depositary agreement dated 31 August 1994, as amended and restated by an agreement dated 18 March 2016 also entered by the Management Company (the "Depositary Agreement").

The Depositary shall perform all the duties and obligations of a depositary under the UCITS Directive as outlined in the Depositary Agreement.

The Depositary Agreement may be terminated by any party on 90 days' notice in writing. Subject to applicable laws, the Depositary Agreement may also be terminated by the Depositary on 30 days' notice in writing if (i) it is unable to ensure the required level of protection of the Company's investments under the applicable laws because of the investment decisions of the Management Company and / or the Company; or (ii) the Company, or the Management Company on behalf of the Company, wishes to invest or to continue to invest in any jurisdiction notwithstanding the fact that (a) such investment may expose the Company or its assets to material country risk or (b) the Depositary is not able to obtain satisfactory legal advice confirming, among other things, that in the event of an insolvency of a subcustodian or other

relevant entity in such jurisdiction, the assets of the Company held locally in custody are unavailable for distribution among, or realisation for the benefit of, creditors of the such subcustodian or other relevant entity.

Before expiration of any such notice period, the Management Company shall propose a new depositary which fulfils the requirements of the UCITS Directive and to which the Company's assets shall be transferred and which shall take over its duties as the Company's depositary from the Depositary. The Company and the Management Company will use best endeavours to find a suitable replacement depositary, and until such replacement is appointed the Depositary shall continue to perform its services under the Depositary Agreement.

The Depositary will be responsible for the safekeeping and ownership verification of the assets of the Company, cash flow monitoring and oversight in accordance with the UCITS Directive. In carrying out its role as depositary, the Depositary shall act independently from the Company and the Management Company and solely in the interest of the Company and its investors.

Conflicts of Interest

In carrying out its functions, the Depositary shall act honestly, fairly, professionally, independently and solely in the interest of the Shareholders.

As part of the normal course of global custody business, the Depositary may from time to time have entered into arrangements with other clients, funds or other third parties for the provision of safekeeping and related services. Within a multi-service banking group such as JPMorgan Chase Group, from time to time conflicts may arise between the Depositary and its safekeeping delegates, for example, where an appointed delegate is an affiliated group company and is providing a product or service to a fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the funds, for instance foreign exchange, securities lending, pricing or valuation services. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Company (under applicable laws including Article 25 of the UCITS Directive) and will treat the Company and the other funds for which it acts fairly and such that, so far as is practicable, any transactions are effected on terms which are not materially less favourable to the Company than if the conflict or potential conflict had not existed. Such potential conflicts of interest are identified, managed and monitored in various other ways including, without limitation, the hierarchical and functional separation of Depositary's depositary functions from its other potentially conflicting tasks and by the Depositary adhering to its own conflicts of interest policy.

Subcustodians and Other Delegates

When selecting and appointing a subcustodian or other delegate, the Depositary shall exercise all due skill, care and diligence as required by the UCITS Directive to ensure that it entrusts the Company's assets only to a delegate who may provide an adequate standard of protection.

The current list of subcustodians and other delegates used by the Depositary and sub-delegates that may arise from any delegation may be obtained from the Hong Kong Representative upon request.

In addition, up-to-date information regarding the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation may also be obtained from the Hong Kong Representative upon request.

ADMINISTRATIVE AGENT

J.P. Morgan Bank Luxembourg S.A has also been appointed as the Administrative Agent of the Company to perform some administrative services in relation to the Company under an administration agreement ("Administration Agreement"). These services include preparing and maintaining books, records, tax, financial reports and calculating the Net Asset Value of the Funds.

The Administration Agreement may be terminated by any party on 180 days' notice in writing.

Under the Administration Agreement, the Administrative Agent will not be liable for any loss or damage suffered by the Company with respect to any matter as to which the Administrative Agent has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud, wilful default or material breach of the Administration Agreement on the part of the Administrative Agent. The Company has agreed to indemnify the Administrative Agent (and its affiliates and nominees, and their respective directors, officers, employees and agents) against, and hold them harmless from, any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys', accountants', consultants' or experts' fees and disbursements) that may be imposed on, incurred by or asserted against the Administrative Agent (or its affiliates and nominees, and their respective directors, officers, employees and agents) in connection with or arising out of the Administrative Agent's performance under the Administration Agreement, provided the Administrative Agent (and its affiliates and nominees, and their respective directors, officers, employees and agents) have not acted with negligence or engaged in fraud, material breach of the Administration Agreement or wilful default in connection with the liabilities in question.

HONG KONG REPRESENTATIVE

The Hong Kong Representative, Franklin Templeton Investments (Asia) Limited, represents the Company in Hong Kong and Asia generally in relation to the affairs of the Company and the distributor of Shares in Hong Kong. The Hong Kong Representative receives applications for the issue, redemption, switching and transfer of Shares in any of the Funds of the Company from various third party sub-distributors, intermediaries, brokers/dealers and Shareholders in Hong Kong and also deals with enquiries from Shareholders in Hong Kong and Asia. The Hong Kong Representative is a member of Franklin Templeton.

ADMINISTRATIVE INFORMATION

HONG KONG REPRESENTATIVE

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[*] The website has not been reviewed by the SFC.

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