

Product Key Facts
Franklin Templeton Fund Series –
Templeton China Opportunities Fund

Issuer: Franklin Templeton Investments (Asia) Limited

Last updated: December 2020

- **This statement provides you with key information about this product.**
- **This statement is a part of the offering document.**
- **You should not invest in this product based on this statement alone.**

Quick facts

Manager: Franklin Templeton Investments (Asia) Limited

Investment Manager: Templeton Asset Management Ltd.
(internal delegation, Hong Kong)

Trustee: Cititrust Limited

Custodian: Citibank N.A. (Hong Kong Branch)

Base currency: USD

Financial year end of this Fund: 31 December

Ongoing charges over a year[#]:

Class A (acc) HKD: 3.03%

Class A (acc) USD: 3.03%

[#]The ongoing charges figures are estimates based on the annualized projection of the actual expenses for the financial period ended 30 November 2020, and represent the sum of the estimated ongoing expenses chargeable to the Fund expressed as a percentage of the Fund's average net asset value. The actual figures may be different from these estimated figures and they may vary from year to year.

Dealing frequency: Daily, on Hong Kong and China Business Day

Dividend policy: No dividend distribution

Minimum Investment: USD 1,000 or equivalent [initial], USD 500 or equivalent [additional]

What is this product?

This is a fund constituted in the form of a unit trust established by a trust deed governed by the laws of Hong Kong.

Investment Objective and Policy

The investment objective and policy of the fund is to achieve long-term capital appreciation by investing, directly or indirectly, in China A-Shares and equity securities of Chinese companies listed in China or foreign securities markets, or companies or issuers which derive the principal portion of their revenues from the Chinese economies or have the principal portion of their assets in the Chinese economies. These equity securities include, but are not limited to, China A-Shares through Templeton China A Shares Fund (please refer to the sub-section headed "Templeton China A Shares Fund" for further details), China B-Shares, China H-Shares and red-chip stocks.

Under normal market conditions, at least 70% of the fund's total net assets will be invested in domestic China A-Shares equity securities indirectly through Templeton China A Shares Fund.

The fund may also invest in other types of investments including, but not limited to, securities denominated in Renminbi ("RMB") issued or listed in or outside the People's Republic of China ("PRC"), American depositary receipts ("ADRs") and global depositary

receipts (“GDRs”). ADRs are negotiable instruments evidencing ownership of shares in a non-US company issued by a depositary bank in the United States (“US”) and traded in USD in the US securities market. GDRs are negotiable instruments evidencing ownership of shares in a non-US company issued by a depositary bank in international markets (e.g. in Europe) and made generally available to institutional investors.

As a general illustration, the fund’s indicative investment mix (as a percentage of the fund’s total net assets) would approximately be as follows:

- 70% to 90% in Templeton China A Shares Fund;
- 10% to 20% in China H-Shares;
- 10% to 20% in red-chip stocks;
- 1% to 5% in China B-Shares; and
- 0% to 7% in cash and/or other types of investments.

The fund may not invest more than 10% of its total net asset value in each of the following types of investments:

- (1) asset-backed securities (including asset backed commercial papers);
- (2) bonds which are rated below investment grade by international credit rating agencies or designated a rating of BB+ or below by credit rating agencies in the PRC or unrated bonds; and
- (3) urban investment bonds.¹

The fund will not invest in structured products. In addition, the Manager currently does not intend to enter into any securities lending transactions, sale and repurchase transactions or reverse repurchase transactions in respect of the fund or to leverage the fund.

Templeton China A Shares Fund

The fund will invest in Templeton China A Shares Fund which is a unit trust established by a trust deed governed by the laws of Hong Kong and denominated in USD (and not in RMB).

The investment objective of Templeton China A Shares Fund is to achieve long-term capital appreciation by investing at least 70% of its total net assets in China A-Shares (i.e. shares denominated in RMB issued by companies incorporated in China and listed on the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange).

Templeton China A Shares Fund may invest up to 30% of its net assets in aggregate in listed securities and other permitted PRC financial instruments, namely shares and bonds listed on the stock exchange(s) in the PRC, and in other liquid assets, such as cash, cash deposits, short-term paper and money market instruments. In particular, Templeton China A Shares Fund may invest up to 5% of its net assets in cash deposits and up to 10% in bonds listed on the stock exchange(s) in the PRC.

Templeton China A Shares Fund will seek to achieve its investment objective primarily through investments in China A-Shares directly using the USD Qualified Foreign Institutional Investor (“QFII”) quota of the QFII holder, Templeton Investment Counsel, LLC (the “QFII holder”), approved by authorities in the PRC pursuant to the relevant regulations. Templeton China A Shares Fund will seek to invest primarily in equity securities of companies in different industry sectors with any ranges of market capitalization which have substantial exposure to Mainland China market.

The manager of Templeton China A Shares Fund is Templeton Investment Counsel, LLC, an entity within the group of companies in Franklin Templeton Investments.

Templeton China A Shares Fund may not invest more than 10% of its total net asset value in each of the following types of investments:

- (1) asset-backed securities (including asset backed commercial papers);
- (2) bonds which are rated below investment grade by international credit rating agencies or designated a rating of BB+ or below by credit rating agencies in the PRC or unrated bonds; and
- (3) urban investment bonds².

Templeton China A Shares Fund will not invest in structured products. In addition, the manager of Templeton China A Shares Fund currently does not intend to enter into any securities lending transactions, sale and repurchase transactions or reverse repurchase transactions in respect of Templeton China A Shares Fund or to leverage Templeton China A Shares Fund.

Further details about the investment objectives of Templeton China A Shares Fund are available in the explanatory memorandum under the sub-section headed “Information on Templeton China A Shares Fund” of the section headed “Investment Objective and Policy”.

¹*Urban investment bonds are debt instruments issued by local government financing vehicles (“LGFVs”) in the Mainland listed bond and interbank bond-market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.*

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Use of derivatives / investment in derivatives

The fund will not use derivatives for any purposes.

What are the key risks?

Investment involves risks. Please refer to the offering document for details including the risk factors.

- ***Market risk:*** *The fund is subject to substantial market fluctuations and to the risks inherent in all investment, and the price of the units can go down as well as up. Investors may not get back their original investment.*
- ***Mainland China investment risk:*** *An investment in the fund with exposure to Mainland China’s markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater government control over the economy, political and legal uncertainty, currency fluctuations or blockage, the risk that Mainland China’s government may decide not to continue to support economic reform programs, the risk of nationalization or expropriation of assets, tax and foreign exchange risk, as well as regulatory risk, legal risk and accounting risk.*
- ***Concentration risk:*** *The fund invests only in Mainland China and is likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as the fund is more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in the single country which it invests.*
- ***Foreign currency, exchange control and multi-conversion risks:*** *There is foreign currency and exchange control risk at the level of the fund and Templeton China A Shares Fund. The fund may be invested in assets quoted in currencies (e.g. RMB or HKD) other than its base currency. The performance of the fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are denominated and its base currency. The base currency of Templeton China A Shares Fund is denominated in USD, while its investments and income derives from such investments (if any) are denominated in currencies other than USD and primarily in RMB (which is currently not a freely convertible currency and is subject to exchange controls and restrictions). As a result, Templeton China A Shares Fund is exposed to incurring transactions costs associated with currency conversion (i.e. from USD subscription monies to RMB for the Templeton China A Shares Fund to invest in RMB-denominated investments and from RMB sale proceeds (after the Templeton China A Shares Fund has disposed of the RMB-denominated investments) to USD to meet with redemption requests as and when necessary). In addition, investment in Templeton China A Shares Fund will be subject to fluctuations between USD and other currencies, including RMB. There can be no assurance that the RMB will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop.*

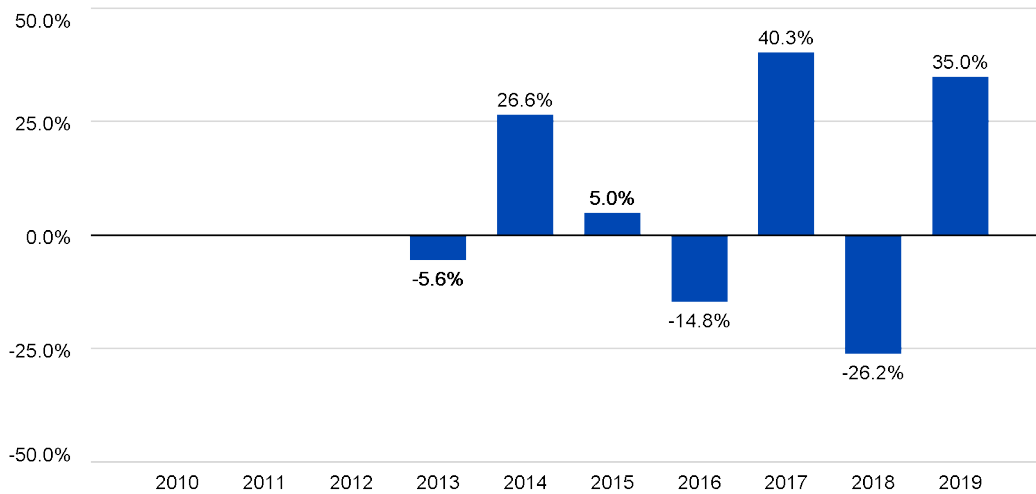
- **QFII regime risks**

- **Risks associated with repatriation controls and investment restrictions:** Under the applicable QFII regulations, the QFII holder may be restricted from withdrawing funds from its account in respect of Templeton China A Shares Fund until and unless the QFII holder as a whole is permitted to repatriate its funds under the QFII regulations. If the net amount to be repatriated by the QFII holder for the account of Templeton China A Shares Fund on any occasion exceeds the equivalent of USD 50 million (including principal and profit), prior approval from the State Administration of Foreign Exchange of the PRC (“SAFE”) is required. In this case, payment of the redemption proceeds may be delayed and paid to unitholders of Templeton China A Shares Fund (including the fund) as soon as practicable and in any event within seven (7) business days after completion of the repatriation process. The repatriation of an amount less than or equal to the equivalent of USD 50 million (including principal and profit) is currently subject to SAFE’s filing requirement (while pre-approval by SAFE is not required). However, the corresponding regulations may be subject to change. The application and interpretation of such regulations may not be certain and there is no certainty as to how they will be applied now or in the future. In the event that redemption requests for a large number of units of Templeton China A Shares Fund are received on a dealing day (i.e. more than 10% of the total number of units in issue), Templeton China A Shares Fund may need to, for the purposes of meeting such redemption requests, defer part of the redemption requests in Templeton China A Shares Fund. As a result, the payment of the redemption proceeds may be delayed and paid to unitholders of the fund within seven (7) business days after completion of the repatriation process. There are rules and restrictions under current QFII regulations including rules on investment restrictions, maximum remittance period, minimum investment holding period and repatriation of principal and profits.
- **Risks associated with QFII local custodian and PRC broker:** As Templeton China A Shares Fund invests in the PRC market where custodial and/or settlement systems are not fully developed, the assets of Templeton China A Shares Fund and, thus, the fund may be exposed to custodial risk. In the event that there is any retroactive application of legislation and/or fraud or improper registration of the title of the assets of Templeton China A Shares Fund, the reduction in the quantity or value of such assets will create losses to Templeton China A Shares Fund and, thus, the fund. As regards the PRC broker, there is a risk that Templeton China A Shares Fund may suffer losses, whether direct or consequential, from the default or bankruptcy of the PRC broker or disqualification of the same from acting as a broker, which may prevent Templeton China A Shares Fund from trading to any further degree with that PRC broker, potentially disrupting current or contemplated trades for particular securities and presenting an opportunity cost. This may affect the performance of Templeton China A Shares Fund and, thus, the fund and the investments of investors, as best execution or the transfer of certain funds or securities may not be immediately available or possible.
- **Risks associated with QFII regulations and other regulatory requirements:** The regulations which regulate investments by QFIIs in Mainland China and the repatriation and currency conversion may be subject to change. The application and interpretation of such investment regulations may therefore not be certain and there is no certainty as to how they will be applied as Mainland China authorities and regulators have been given wide discretion in administering such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. The uncertainty and change of the laws and regulations in the PRC may adversely impact Templeton China A Shares Fund and, thus, the fund. The rules and regulations which regulate QFII investment are also subject to changes.
- **Risks associated with the QFII status of the QFII holder:** The status or approval of the QFII holder of Templeton China A Shares Fund may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII holder or for any other reasons. In such event, all the assets held by the QFII holder for or on account of Templeton China A Shares Fund will be liquidated and repatriated to Templeton China A Shares Fund in accordance with applicable laws and regulations and the provisions of the agreement between Templeton China A Shares Fund and the QFII holder. Templeton China A Shares Fund and, thus, the fund may suffer loss as a result of such liquidation and repatriation. In addition, Templeton China A Shares Fund does not

have the exclusive use of the full QFII quota (i.e. USD 300 million) granted to the QFII holder. Only USD 100 million has been allocated to Templeton China A Shares Fund. If the other activities performed by the QFII holder in respect of any portions of the full QFII quota (i.e. USD 300 million) granted to the QFII holder have resulted in any regulatory actions taken against the QFII holder, including the revocation of the QFII quota granted as a whole, Templeton China A Shares Fund and the fund will be adversely affected.

- **Mainland China tax risk:** Based on independent tax advice, the Manager will not make provisions for any PRC taxes payable by the fund on capital gains derived from the sale of China B-Shares and overseas listed shares (including China H-Shares, ADRs and GDRs) issued by PRC resident enterprises and Red Chips, provided that both the purchase and sale of such shares are conducted on public stock exchanges. Any sums withheld in excess of the tax liability incurred or expected to be incurred by the fund shall be released and transferred to the fund's accounts forming part of the fund's assets upon the issuance of definitive tax regulation by the PRC State Administration of Taxation and/or the PRC Ministry of Finance promulgating definitive tax assessment rules. The fund's asset value may be adversely affected if the fund has to bear additional tax liabilities.
- **Risks of investing in another collective investment scheme:** The fund will invest in China A-Shares indirectly through another collective investment scheme, namely Templeton China A Shares Fund. In addition to the expenses and charges charged by the fund, investors should note that there are additional fees involved when investing into Templeton China A Shares Fund, including fees and expenses charged by the service provider(s) of Templeton China A Shares Fund and the redemption fee charged by Templeton China A Shares Fund during the lock-up period applicable to Templeton China A Shares Fund. Furthermore, there can be no assurance that (i) the liquidity of Templeton China A Shares Fund will always be sufficient to meet redemption requests as and when needed and (ii) the investment objective and strategy of Templeton China A Shares Fund will be successfully achieved. As the Investment Manager is appointed to provide portfolio management services for Templeton China A Shares Fund, potential conflicts of interest may arise. The valuation of the fund's holdings in another collective investment scheme in which it invests depends primarily on unaudited financial information provided by the relevant collective investment scheme and its service providers. This may affect the calculation of the net asset value of the fund which may not reflect the fair value of the investment of the fund. Further, the fund may also experience a delay in receiving the required financial information from the relevant collective investment scheme for calculating the fund's net asset value if the dealing day of such scheme is not the same as that of the fund. If the fund invests in an underlying fund that is managed by the Manager or a connected person of the Manager, potential conflicts of interest may arise. Please refer to the section headed "Conflicts of Interest" in the explanatory memorandum for further details.
- **Debt securities risk:** There is no assurance that losses will not occur with respect to investment in debt securities (such as bonds). A default on interest or principal by the counterparty may adversely affect the performance of Templeton China A Shares Fund and the fund. Templeton China A Shares Fund may invest in non-rated and/or lower rated bonds where the risk of failure to pay interest and/or principal is greater when compared to higher rated bonds, exposing Templeton China A Shares Fund and, thus, the fund to potential losses. Bonds are also exposed to the risk of being downgraded, which can cause a significant drop in the value of Templeton China A Shares Fund and the fund.
- **Interest rate risk:** Debt securities (such as bonds) are more susceptible to fluctuations in interest rates. Generally, the price of debt securities will fall when interest rates rise, adversely affecting the value of Templeton China A Shares Fund and, thus, the fund, whereas the price will rise when interest rates fall. Longer term debt securities are usually more sensitive to interest rate changes than shorter term securities.

How has the Fund performed?



- *Past performance information is not indicative of future performance. Investors may not get back the full amount invested.*
- *The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividends reinvested.*
- *These figures show by how much Class A (acc) USD increased or decreased in value during the calendar year being shown. Class A (acc) USD is the unit class available in Hong Kong with the longest history in the Fund. Performance data has been calculated in USD, including ongoing charges and excluding subscription fee and redemption fee you might have to pay.*
- *Where no past performance is shown, there was insufficient data available in that year to provide performance.*
- *Fund launch date: 30 November 2012*
- *Class A (acc) USD launch date: 30 November 2012*

Is there any guarantee?

This Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?
Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Fund.

Fee	What you pay
	Class A
Subscription fee (Initial sales charge)	Up to 5.00% of the subscription amount
Switching fee (Switching charge)	N/A
Redemption fee (Redemption charge)	N/A

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Fund's net asset value)
	Class A**
Management fee*	Up to 1.25%
Custodian fee	Up to 0.025%
Performance fee	N/A
Administration fee (Fund administration fee)	0.20% (current and maximum level)
Trustee fee#	Up to 0.04%
Maintenance charge	0.50%

*The current maximum annual rate of Management fee is up to 1.25% and the Manager may increase it up to 3% by giving one month's written notice to the unitholders of the fund in accordance with the requirement of the trust deed.

#The current maximum annual rate of Trustee fee is up to 0.04% and the Trustee may increase it up to 1% by giving one month's written notice to the unitholders of the fund in accordance with the requirement of the trust deed.

**The aggregate fees to the Manager for the provision of investment management and investor liaison services comprise of the Management Fee and the Maintenance Charge.

Other fees

You may have to pay other fees and charges when dealing in the units of the fund.

Additional Information

- You generally buy and redeem units at the fund's next determined net asset value ("NAV") after the Registrar, Citicorp Financial Services Limited, receives your request in good order on or before 4:00 p.m. (Hong Kong time) being the dealing cut-off time on each "dealing day" (i.e. any business day which is also a "valuation day" as mentioned below). Certain intermediaries / distributors may impose an earlier dealing cut-off time.
- The NAV of the fund is calculated on each "valuation day" (i.e. a business day on which the stock exchanges in both Hong Kong and the PRC are open) and the price of units is published on each "dealing day" (as mentioned above) in South China Morning Post and Hong Kong Economic Times. Information about prices is also available online at www.franklintempleton.com.hk.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the Manager's website at www.franklintempleton.com.hk.



- *Investors may obtain information on the intermediaries by calling the Manager at (852) 2877-7733 or visiting the Manager's website at www.franklintempleton.com.hk.*
- *The website mentioned above has not been reviewed by the Securities and Futures Commission ("SFC").*

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.