国海富兰克林基金管理有限公司
Franklin Templeton Sealand Fund Management Co.,Ltd.

FRANKLIN TEMPLETON

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Fund Management Co., Ltd.

Franklin Sealand China Prospect Mixed Assets Fund

April 2020

This is a Mainland fund authorized for public offering in Hong Kong pursuant to Mainland-Hong Kong Mutual Recognition of Funds arrangement.

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

Quick facts

Fund Manager:	Franklin Templeton Sealand Fund Management Co., Ltd.
Custodian:	Bank of China Limited
Ongoing charges over a year:	Class H-CNH Units: 1.76%[#] Class H-USD Units: 1.76%^ Class H-HKD Units: 1.76%^
Dealing frequency:	Each Hong Kong Dealing Day – i.e. a working day in both PRC and Hong Kong
Base currency:	RMB
Dividend policy:	Class H-CNH Units, Class H-USD Units and Class H-HKD Units: Dividends, if any, will be distributed at such times at the discretion of the Fund Manager, for up to 4 times a year. Distributions may be paid out of the capital of the relevant class.
Financial year end of this fund:	31 December
Minimum investment:	Class H-CNH Units: RMB 0.01 minimum initial investment, RMB0.01 minimum subsequent investment Class H-USD Units: USD20 minimum initial investment, USD20 minimum subsequent investment Class H-HKD Units: HKD100 minimum initial investment, HKD100 minimum subsequent investment

[#] *This figure is based on the annual financial statements for the period ended 31 December2019. This figure may vary from year to year.*
^ *This figure is an estimate only (as the unit class is not yet launched) and represents the sum of the estimated ongoing expenses chargeable to the unit class expressed as a percentage of the unit class' estimated average net asset value. The actual figure may be different from the estimated figure and may vary from year to year.*

What is this product?

Franklin Sealand China Prospect Mixed Assets Fund (the "Fund") is a fund constituted under the laws of the Mainland China and its home regulator is the China Securities Regulatory Commission.

Objectives and Investment Strategy

Objectives

The Fund seeks long-term appreciation of assets by investing primarily in the stocks of listed companies with future earnings growth and undervalued assets, in order to provide investors with

long-term and stable capital appreciation.

Strategy

The Fund invests in equities and bonds publicly issued according to laws within China and other financial instruments that are permitted by CSRC for investment by the Fund. The scope of equity investment includes all the A-Shares publicly issued and listed according to laws. The scope of bond investment includes Mainland Chinese treasury bonds, financial bonds, corporate bonds and convertible bonds, etc.

The Fund will invest 60%-95% of its assets in equity assets. About 5%-40% of the Fund assets will be invested in bonds, cash equivalent assets, and other types of securities permitted by CSRC for investment by the Fund, among which, the aggregate of the cash (not including settlement deposits, refundable deposits and subscription receivables) kept and the government bonds with maturity of less than one year invested by the Fund shall not be less than 5% of the Net Asset Value of the Fund.

The equity investment of the Fund focuses on listed stocks with lower risk of price decline and higher potential of price increase, which will account for not less than 80% of the Fund's equity assets.

The Fund's investments will be made in the Mainland China market only. The Fund may invest more than 30% of its Net Asset Value in (i) stocks listed or traded on the ChiNext market; (ii) stocks listed or traded on the Small and Medium Enterprise (SME) board; and/or (iii) stocks listed or traded on the Science and Technology Innovation Board ("STAR Board"). The Fund may also invest in urban investment bonds, asset-backed securities (including asset-backed commercial paper) and debt securities which are rated BB+ or below by a Mainland China credit rating agency or unrated.

The total extent of leverage of the Fund will not exceed 40% of the Fund's Net Asset Value and will be in the form of repurchase / reverse repurchase transactions only.

The Fund does not engage in securities lending. Prior regulatory approval will be sought and at least one month's prior notice will be given to unitholders in Hong Kong if there is a change in this policy.

However, provided that the minimum investment requirements for meeting the Fund's investment objectives and strategy and the other applicable regulatory requirements are complied with, the Fund may engage in repurchase transactions or reverse repurchase transactions on the exchange market in Mainland China and/or in the interbank market in Mainland China, for up to 40% of the Fund's Net Asset Value.

Use of derivatives / investment in derivatives

- The Fund will not use derivatives for any purposes.

What are the key risks?

Investment involves risks and there is no guarantee of the repayment of principal. Please refer to the offering document for details including the risk factors.

1. Risks associated with the MRF arrangement

- *Quota restrictions*: The Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme is subject to an overall quota restriction. Subscription of units in the Fund may be suspended at any time if such quota is used up.
- *Failure to meet eligibility requirements:* If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst scenario, the SFC may even withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.
- *Mainland China tax risk*: Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland tax laws and regulations will not change. Any change to the existing concessions and exemptions as well as the relevant laws and

regulations may adversely affect the Fund and/or its investors and they may suffer substantial losses as a result.

- *Different market practices:* Market practices in the Mainland China and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemption of units of the Fund may only be processed on a day when both Mainland China and Hong Kong markets are open, or it may have different cut-off times or dealing day arrangements versus other SFC-authorised funds. Investors should ensure that they understand these differences and their implications.

2. Investment risk

- The Fund is an investment fund. There is no guarantee of the repayment of principal or the payment of dividends or distributions. Further, there is no guarantee that the Fund will be able to achieve its investment objectives and there is no assurance that the stated strategies can be successfully implemented.

3. Concentration risk / Mainland China market risk

- The Fund invests primarily in securities related to the Mainland China market and may be subject to additional concentration risk. Investing in the Mainland China market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

4. RMB currency and conversion risks

- RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that RMB will not depreciate.
- Investments acquired by the Fund will be denominated in RMB whereas the classes of units of the Fund may be denominated in other currencies which may also be different from the investor's base currency. This may expose investors to exchange rate fluctuations.
- Under exceptional circumstance, investors of the H-CNH class may not receive RMB upon redemption of investments and/or dividend payment or such payment may be delayed due to the exchange controls and restrictions applicable to RMB.

5. Mainland China equity risk

- *Market risk:* The Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- *Volatility risk:* High market volatility and potential settlement difficulties in the Mainland China equity markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.
- *Policy risk:* Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.
- *High valuation risk:* The stocks listed on the Mainland China stock exchanges may have a higher price-earnings ratio; and such high valuation may not be sustainable.
- *Liquidity risk:* Securities markets in Mainland China may be less liquid than other developed markets. The Fund may suffer substantial losses if it is not able to dispose of investments at a time it desires.
- *Risk associated with small-capitalisation / mid-capitalisation companies:* The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

6. Mainland China debt securities risk

- *Volatility and liquidity risks*: The Mainland China debt securities 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.
- *Counterparty risk*: The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.

- *Interest rate risk:* Investment in the Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- *Downgrading risk:* The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Fund may be adversely affected. The Fund Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Credit rating agency risk:* The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.
- *Risk associated with urban investment bonds:* The Fund may invest in urban investment bonds. Urban investment bonds are issued by local government financing vehicles ("**LGFVs**"), such bonds are typically not guaranteed by local governments or the central government of Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Fund could suffer substantial loss and the net asset value of the Fund could be adversely affected.
- *Risk associated with asset-backed securities:* The Fund may invest in asset-backed securities (including asset-backed commercial papers) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
- *Risk associated with debt securities which are rated BB+ or below by a Mainland China credit rating agency or unrated:* The Fund may invest in debt securities rated BB+ or below by a Mainland China credit rating agency or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

7. Distribution out of capital risk

- Investors should note that the payment of distributions out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that. Any distributions involving payment of dividends out of capital of the Class H-CNH Units, Class H-USD Units and Class H-HKD Units will result in an immediate decrease in the Net Asset Value per unit of the relevant Class H-CNH Units, Class H-USD Units and Class H-HKD Units.

8.Risks associated with the Small and Medium Enterprise (SME) board, ChiNext market and/or the Science and Technology Innovation Board (STAR Board)

- *Higher fluctuation on stock prices and liquidity risk*: Listed companies on the SME board, ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.
- *Over-valuation risk:* Stocks listed on SME board, ChiNext and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
- *Differences in regulation*: The rules and regulations regarding companies listed on the ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main board and SME board.
- *Delisting risk*: It may be more common and faster for companies listed on the SME board, ChiNext market and/or STAR Board to delist. In particular, STAR Board has stricter criteria for delisting compared to other boards. This may have an adverse impact on the Fund if the companies that it invests in are delisted.
- *Concentration risk*: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the Fund to higher concentration risk.

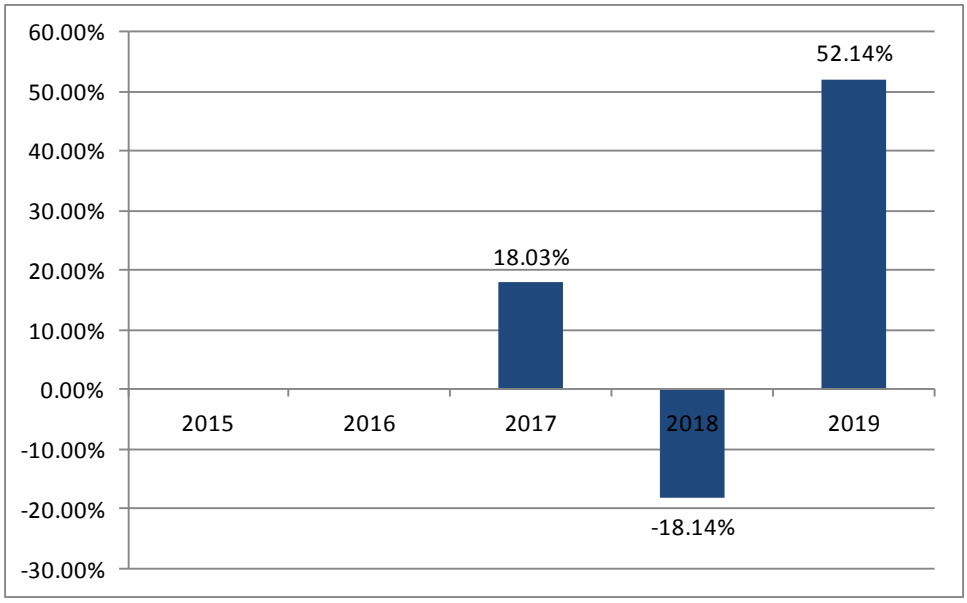
  Investments in the SME board, the ChiNext market and/or STAR Board may result in significant

losses for the Fund and its investors.

9.Additional risks associated with the STAR BOARD

- *Depository receipt special risk:* Depositary receipts represent the rights of overseas underlying securities, but the holder does not directly own overseas underlying securities.
- *Systematic risk:* All of STAR Board enterprises are highly recognized by the market and have similar business operation and profit model. Therefore, the correlation of individual stocks of STAR Board is high, and the systemic risk will be more significant when the market performance is poor.
- *Policy risk:* Government's support and attitude on STAR Board and high-tech might change which influence STAR Board a lot. The change in international economics tendency also brings policy influence on STAR Board and strategic emerging industries.

How has the Fund performed?



- Past performance 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 H-CNH increased or decreased in value during the calendar year being shown. Class H-CNH is the share class available in Hong Kong with the longest history in the Fund. Performance data has been calculated in CNH, 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: 2007
- Class H-CNH launch date: 2016
- Class H-USD and Class H-HKD launch date: Not yet launched

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 Fund.

Fees	What you pay
Subscription fee	Up to 5% of the subscription amount
Switching fee	Not applicable
Redemption fee	0.15% of the redemption amount

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.

Fees	Annual rate (as a % of the net asset value of the Fund)
Management fee	1.5%
Custodian fee	0.25%
Performance fee	Not applicable
Administration fee	Not applicable

Other fees

You may have to pay other fees and charges when dealing in the Fund.

Additional Information

- You generally buy and redeem units at the Fund's next-determined net asset value (NAV) after the authorised distributor receives your request in good order on or before 3 p.m. (Hong Kong time) being the dealing cut-off time. Certain authorised distributor(s) may impose earlier dealing deadlines for receiving requests from investors. Investors should check with the relevant authorised distributor(s) accordingly.

- The NAV of the Fund is calculated and the price of units published each "Hong Kong Dealing Day". They are available online at the Hong Kong Representative's website at www.franklintempleton.com.hk (the website has not been reviewed by the SFC).

- The composition of the distributions in respect of the Class H-CNH Units, Class H-USD Units and Class H-HKD Units (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months are available by the Hong Kong Representative on request and also at the Hong Kong Representative's website at www.franklintempleton.com.hk (the website has not been reviewed by the SFC).

- Investors should visit the Hong Kong Representative's website at www.franklintempleton.com.hk (the website has not been reviewed by the SFC) for the latest notices relating to the Fund.

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.