



**FRANKLIN
TEMPLETON**

Product Key Facts
Franklin Templeton Investment Funds –
Templeton China A-Shares Fund

Issuer: Franklin Templeton Investments (Asia) Limited

Last updated: July 2022

- **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

Management company: Franklin Templeton International Services S.à r.l.

Investment manager: Templeton Asset Management Ltd, Singapore (internal delegation) and Templeton Investment Counsel, LLC, United States of America (internal delegation)

Depository: J.P. Morgan SE, Luxembourg Branch

Base currency: USD

Financial year end of this Fund: 30 June

Dealing frequency: Every Hong Kong Business Day

Minimum Investment: USD 1,000 [initial] and USD 500 [subsequent purchases] or equivalent

Ongoing charges over a year[#]:

Class A (acc) USD: 2.00%

Class A (acc) HKD: 2.00%

[#]The ongoing charges figures are based on the semi-annual report for the period ended 31 December 2021. These figures may vary from year to year.

Dividend policy: Dividends, if declared, will be reinvested unless indicated by you in the application form to be paid out. Subject to any legal and regulatory requirements, the Fund may at its discretion pay dividends out of the capital or out of gross income of the Fund while charging/ paying all or part of the Fund's fees and expenses to/ out of the capital of the Fund, which results in an increase in distributable income for the payment of dividends by the Fund and therefore, the Fund may effectively pay dividends out of capital. The Fund may amend such distribution policy subject to the Securities and Futures Commission ("SFC")'s prior approval and by giving not less than one month's prior notice to investors. Any distributions involving payment of dividends out of the Fund's capital or payment of dividends effectively out of the Fund's capital (as the case may be) may result in an immediate reduction of the net asset value per share.

What is this product?

This is a fund constituted in the form of a mutual fund. It is domiciled in Luxembourg and its home regulator is Commission de Surveillance du Secteur Financier.

Investment Objective and Policy

Templeton China A-Shares Fund (the "Fund")'s investment objective is long-term capital appreciation by investing primarily in China A-Shares, equity securities of Chinese companies listed in Mainland China.

The Fund seeks to achieve its objective through a policy of investing primarily (that is, at least two-thirds of the Fund's net assets) in China A-Shares, RMB-denominated shares of companies (i) organised under the laws of or with their principal offices in Mainland China, (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 and (iii) listed on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

The Fund is not subject to any limitation on the industry, sector, or market capitalization in which it may invest.

The Fund may invest at least two-thirds of its net assets in China A-Shares (including China A-Shares listed on ChiNext market and/or the Science and Technology Innovation Board ("STAR Board")) through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, qualified foreign investor ("QFI") channel, other collective investment schemes and/or any permissible means available to the Fund under prevailing laws and regulations. The Fund may also invest up to 10% of its net assets directly in China B-Shares. For the avoidance of doubt, the Fund will not invest 70% or more of its net assets in China A-Shares solely via the QFI channel and will



invest up to 10% of its net assets in other collective investment schemes such as UCITS or other UCIs. The extent of the Fund's investments in China A-Shares through other collective investment schemes will be measured by way of a see-through approach.

Since the Investment Manager considers that Environmental, Social and Governance ("ESG") factors can have a material impact on a company's current and future corporate value, ESG considerations will be an integral component of its fundamental bottom-up research. The research team routinely evaluate material ESG issues in accordance with an internally established framework. For the avoidance of doubt, the Investment Manager does not apply binding ESG criteria nor explicit ESG exclusions and the Fund is not classified as an ESG fund, pursuant to the "Circular to management companies of SFC authorized unit trusts and mutual funds - ESG funds" issued by the SFC on 29 June 2021.

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 (i.e., below 30% of the Fund's net assets), seek investment opportunities in the following:

- other types of transferable securities such as sovereign and corporate debt and fixed income securities;
- equity securities of companies listed outside of Mainland China, including but not limited to Hong Kong and the US;
- American and Global Depositary Receipts;
- time deposits;
- cash; and
- Money Market Instruments.

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

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

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.

Use of derivatives / investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.

What are the key risks?

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

- **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.
- **Equity risk:** Equity securities are subject to significant price movements due to various economic, political, market and issuer-specific factors. Such changes may adversely affect the value of equities regardless of issuer-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 a result, the Fund may be adversely affected.
- **China A-Shares market risk:** The China A-Shares market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). High market volatility and potential settlement difficulties in the China A-Shares market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the net asset value of the Fund. 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.
- **Concentration risk:** The Fund's investments focus on China A-Shares market of the PRC, which may increase the concentration risk. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.



- **Chinese market risk:** *The Fund is subject to the risks of the Chinese market and the value of the Fund may be susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the Chinese market. The value and performance of the Fund may be adversely affected as a result.*
- **Emerging markets risk:** *The Fund may invest in emerging markets, which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.*
- **Market risk:** *The market values of securities owned by the Fund will tend to go up or down, sometimes rapidly or unpredictably, due to factors affecting individual issuers, particular industries or sectors within securities markets, or because of general market conditions. During a general downturn in the securities markets, multiple asset classes (including different sectors of the same asset class) may decline in value at the same time. Similarly, when markets perform well, there can be no assurance that securities held by the Fund will participate in the advance. Because the securities the Fund holds fluctuate in price in this manner, the Fund's value may go down as well as up and investors may be adversely affected.*
- **Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect risk:** *The relevant rules and regulations on Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect ("Stock Connect") are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the Stock Connect is effected, the Fund's ability to invest in China A-Shares or access the PRC market through the Stock Connect will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.*
- **China QFI risk:** *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 QFI status of the QFI holder of the Fund 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 QFI 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).*
- **Risks associated with ChiNext market and/or the STAR Board:**

Higher Fluctuation on Stock Prices and Liquidity Risk: Listed companies on ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. Listed companies on ChiNext market and 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 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 boards.

Delisting Risk: It may be more common and faster for companies listed on ChiNext market and/or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main 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 ChiNext market and/or STAR Board may result in significant losses for the Fund and its investors.



- **Foreign currency risk:** Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, a class of shares may be designated in a currency other than the base currency of the Fund. The net asset value of the Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- **RMB currency and conversion risk:** Where a Fund invests in underlying investments which are denominated in RMB, the Fund will be subject to RMB currency and conversion risks. RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that the value of RMB against the Fund's base currency (i.e. USD) will not depreciate. Any depreciation of RMB could adversely affect the value of the Fund's investment. 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 may be delayed due to exchange controls and restrictions applicable to RMB.
- **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 via the QFI status, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or access products on the Fund's investments in the PRC (which may have retrospective effect). Based on professional and independent tax advice, currently, no tax provision is made on the capital gains from the Fund's investments in the PRC. 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 Fund. The Management Company and the Investment Manager will keep the provisioning policy for tax liability under review, and may, in its 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 Fund, any shortfall between the provision and the actual tax liabilities, which will be debited from the Fund's assets, will adversely affect the Fund's 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).
- **Smaller and midsize companies risk:** Stocks of smaller- and mid-sized companies tend to be less liquid and more volatile to adverse economic developments than larger, more recognized companies, particularly if such companies are in emerging markets, which results in higher risk for the Fund. The value and performance of the Fund may be adversely affected as a result.
- **Counterparty risk:** The Fund may be exposed to risks arising from the solvency of its counterparties and the Fund/investors may be adversely impacted. When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, security lending, etc.), the Fund may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.
- **Liquidity risk:** The Fund may not be able to easily sell securities due to adverse market conditions or reduced value or creditworthiness of issuers in which it invests. The inability of the Fund to sell securities or positions may also impede the ability of the Fund to meet redemption requests in a timely manner. Certain securities may also be illiquid due to limited trading markets or contractual restrictions on their resale. Reduced liquidity due to these factors may have an adverse impact on the net asset value of the Fund.
- **Derivative instruments risk:** Derivative instruments involve cost, may be volatile, and may involve a leverage effect. A small market movement may give rise to a proportionately larger impact, which may cause substantial loss to the Fund. Other risks include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. In adverse situations, the Fund's use of derivative instruments may become ineffective and the Fund may suffer significant losses.
- **Dividend policy risk:** The Fund's dividend policy allows for payment of dividends out of capital or effectively out of capital. Where this is done, it amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable

to that original investment. Any distributions involving payment of dividends out of the Fund's capital or payment of dividends effectively out of the Fund's capital (as the case may be) may result in an immediate reduction of the net asset value per share.

How has the Fund performed?

- *As the Fund has been launched for less than a full calendar year, there is insufficient data to provide a useful indication of past performance to investors.*
- *Fund launch date: 2 February 2021.*
- *Effective 25 February 2021, MSCI China A Onshore Index was added as the benchmark of the Fund to adhere to European disclosure rules regarding the use of benchmark. Such benchmark is used solely as a reference for investors to compare against the Fund's performance, and these benchmarks are 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.*

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 shares 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)*	1.00% of the value of the shares being switched
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 (annual management charge[^])	1.65%
Depository fee	Up to 0.140%
Performance fee	N/A
Administration fee	N/A
Servicing charge	N/A
Registrar and Transfer, Corporate, Domiciliary and Administrative Agent fee	Up to 0.2175%
Additional fixed amount per Shareholder account at each Class level	Up to USD 30 per annum

*The current fee level may be increased up to the maximum level permitted by the constitutive document of the Fund by giving one month's prior notice to the shareholders.

[^]The annual management charge as set out in the Explanatory Memorandum comprises of the investment management fee and the maintenance charge, details of which are provided in the annual report of Franklin Templeton Investment Funds.

Other fees

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

Additional Information

- You generally buy and redeem shares at the Fund's next determined net asset value (NAV) after the Hong Kong Representative, Franklin Templeton Investments (Asia) Limited, receives your request in good order on or before 4:00 p.m. (Hong Kong time) being the dealing cut-off time. Certain intermediaries may impose an earlier dealing cut-off time.
- The net asset value of this Fund is calculated and the price of shares is published on each business day. Information about prices is available online at www.franklintempleton.com.hk.
- The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are made available by the Hong Kong Representative on request and are also available online at www.franklintempleton.com.hk.
- Investors may obtain the past performance information of other share classes offered to Hong Kong investors from the Hong Kong Representative's website at www.franklintempleton.com.hk.



- *Investors may obtain information on the intermediaries by calling the Hong Kong Representative at (852) 2877-7733 or visiting the Hong Kong Representative's website at www.franklintempleton.com.hk.*
- *The website mentioned above has not been reviewed by the 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.