FRANKLIN TEMPLETON

# Product Key Facts
# Franklin Templeton Investment Funds - Franklin Income 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(s):*** *Franklin Advisers, Inc., United States of America (internal delegation)*

***Depositary:*** *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 (Mdis) AUD-H1: 1.69%*
*Class A (Mdis) HKD: 1.66%*
*Class A (Mdis) USD: 1.66%*
*Class A (Mdis) RMB-H1: 1.71%*
*Class A (Mdirc) RMB-H1: 1.71%*
*Class B (Mdis) USD: 2.98%*
*Class N (acc) USD: 2.17%*

*# 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.*

*Share class(es) with the suffix "dirc" are offered as part of a currency hedged share class. Such share class(es) will normally pay dividends on a monthly basis in the currency of the relevant hedged share class. The monthly dividend rate per share will be variable and will be calculated based on the estimated gross annual yield of the Fund's portfolio attributable to that share class and the addition of the estimated interest rate carry, when such carry is deemed to be positive. The interest rate carry is based on the approximate interest rate differential between the hedged share class currency and the base currency of the Fund resulting from a currency hedging strategy. Investors should be aware that "dirc" share class(es) give priority to dividends, rather than to capital growth and will typically distribute more than the income received by the Fund. As such, dividends may be paid out of capital, resulting in erosion of the capital invested. For more information, please refer to the Explanatory Memorandum.*

**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**

*Franklin Income Fund (the "Fund") aims to earn income and, secondarily, to increase the value of its investments over the medium to long term.*

*The Fund invests principally (that is, at least two-thirds of the Fund's net assets) in:*

- *equity securities (including common stock, preferred stock, convertible securities and equity-linked notes) of companies from a variety of industries such as utilities, oil, gas, real estate and consumer goods, and stocks with attractive dividend yields*
- *long and short-term debt securities (including bonds, notes and debentures), such as corporate, foreign and U.S. Treasury bonds*
- *debt securities that are rated below investment grade or unrated*

*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, with due regard to the principle of risk spreading.*

*The Fund can invest on an ancillary basis in:*

- *non-U.S. securities that are traded in the US or American Depository Receipts (limited to 25% of net assets)*
- *derivatives for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may include, but are not limited to, 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 team uses in-depth analysis to select individual securities that it believes are undervalued and will provide the best opportunities for income and increased value over the long term.*

*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.*

*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.*

**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.***

- ***Debt securities risk:** The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in. Investment in the Fund is subject to interest rate risk. The debt securities will generally increase in value when interest rates fall and decrease in value when interest rates rise. Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The Fund may invest in higher-yielding securities rated lower than investment grade 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.*
- ***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.*

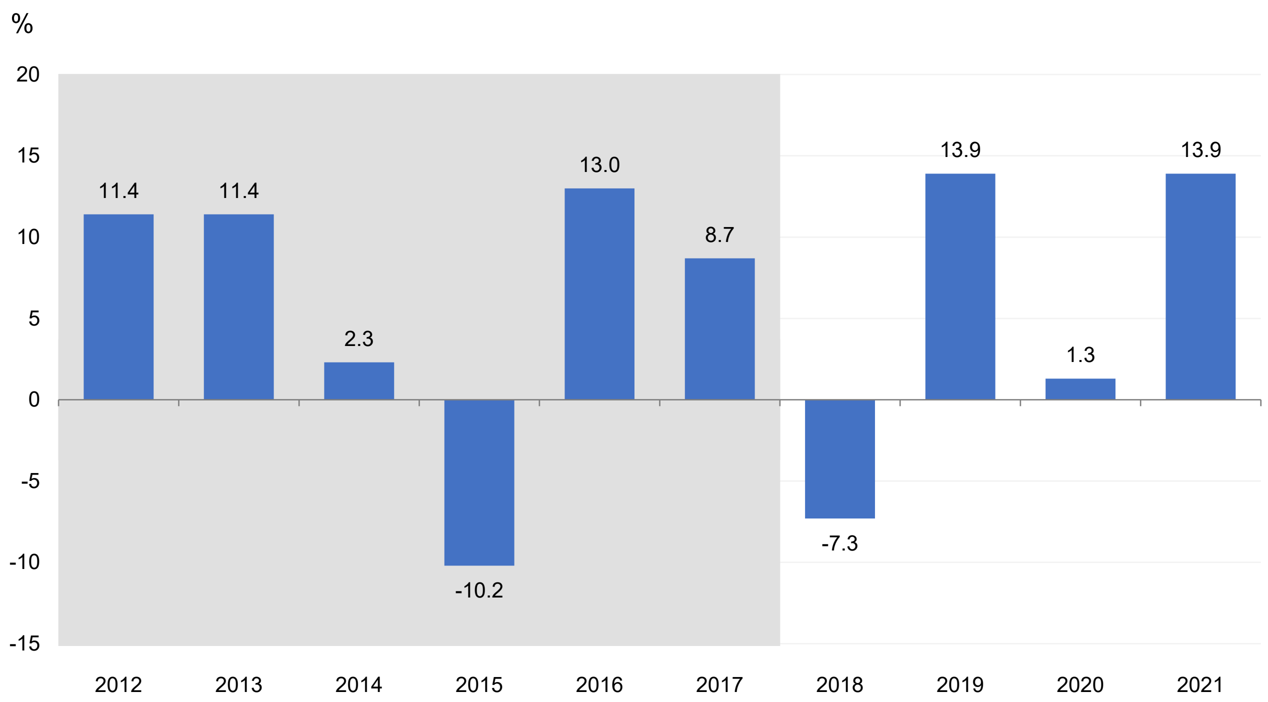
- ***Equity risk:*** *Equity and equity-linked securities are subject to significant price movements due to various economic, political, market and issuer-specific factors. Such changes may adversely affect the value of equities regardless of issuer-specific performance. Additionally, different industries, financial markets and securities can react differently to these changes. Such fluctuations of the Fund's value are often exacerbated in the short-term. Financial markets trends (including feared or actual failures in the banking system) may also cause large fluctuations in the prices of such securities. As a result, the Fund may be adversely affected.*
- ***Credit risk:*** *The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are factors that may have an adverse impact on an issuer's credit quality and security value. Default can occur if an issuer fails to make principal and interest payments when due, which may result in a substantial loss to the Fund. Debt securities are also exposed to the risk of being downgraded, which can adversely affect and/or result in a substantial loss to the Fund.*
- ***Foreign currency risk:*** *The Fund will typically invest to a significant degree in securities that are denominated in currencies other than the base currency of the Fund, exposing its investments to changes in foreign exchange rates and the possibility of exchange control regulations. Changes in currency exchange rates may adversely affect the value of the Fund, and also may affect the income earned by the Fund and gains and losses realized by the Fund.*
- ***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 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.*
- ***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.*
- ***Valuation risk:*** *Valuation of the Fund's investments may involve uncertainties and judgmental determinations. Independent pricing information may not always be available. If valuations prove to be incorrect, the investors 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.*
- ***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 are in arrears. An issuer of preferred securities may redeem the securities prior to a specified date or defer distributions for a stated period, which may negatively impact the return of the security held by the Fund. Preferred securities may be substantially less liquid than common stocks and are subject to greater credit risk than bonds and other debt instruments. The value and performance of the Fund may be adversely affected as a result.*
- ***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.*

- ***Convertible securities risk:*** *The Fund may invest in convertible securities which are a hybrid between debt and equity, permitting holders to convert into shares of the issuer at a specified future date. 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 the Fund may be adversely affected as a result.*
- ***Securitisation risk:*** *This risk is applicable to the Fund's investments in a securitization which encompasses a wide-range of assets. A securitization 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.*
- ***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.*
- ***Structured notes risk:*** *Structured 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. The liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect the Fund.*
- ***Europe and Eurozone risk:*** *The Fund may invest in 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 and the possible break-up of the Eurozone and Euro currency, may adversely affect interest rates and the prices of 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 Fund 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 Fund 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).*

- ***Counterparty risk:*** *The Fund may be exposed to the credit/default risks of its counterparties and the Fund/investors may be adversely impacted.*
- ***Securities lending risk:*** *Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out, which may result in a substantial loss to the Fund.*
- ***Class hedging risk:*** *The hedging strategy for a hedged share class may not work as intended, exposing investors of that share class to currency risk. Additionally, investors of a 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 financial instruments used for hedging, and such investors may be adversely impacted. Further, investors should be aware that the hedging strategy may act as a drag or boost to performance as a result of the interest rate differential between the hedged share class currency and the reference currency(ies). Where there is a positive interest rate differential between the hedged share class currency over the reference currency(ies) an increase in relative performance of the hedged share class over the reference currency(ies) class may be observed. The opposite may be true and it should be noted that if the interest rate of the reference currency of the hedged share class is lower than the interest rate of the base currency of the Fund, the interest rate carry is likely to be negative and a decrease in relative performance of the hedged share class may be observed.*
- ***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. 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.*

**How has the Fund performed?**




The performance of the Fund in these years was achieved under circumstances that no longer apply. The investment policy was changed in 2017 and 2018.

- *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 (Mdis) USD increased or decreased in value during the calendar year being shown. Class A (Mdis) USD is the share 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.*
- *Fund launch date: 1 July 1999*
- *Class A (Mdis) USD launch date: 1 July 1999*
- *Effective 25 February 2021, blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index (formerly known as Bloomberg Barclays High Yield Very Liquid Index) + 25% Bloomberg US Aggregate Index (formerly known as Bloomberg Barclays US Aggregate Index) was added as the benchmark of the Fund to adhere to European disclosure rules regarding the use of benchmark.*

**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*** | ***Class B*** | ***Class N*** |
| ***Subscription fee (Initial sales charge)*** | ***Up to 5.00% of the subscription amount*** | ***N/A*** | ***Up to 3.00% of the subscription amount*** |
| ***Switching fee (Switching charge)**** | ***1.00% of the value of the shares being switched*** | ***N/A*** | ***N/A*** |
| ***Redemption fee (Redemption charge)*** | ***N/A*** | ***Up to 4.00%*** | ***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*** | ***Class B*** | ***Class N*** |
| ***Management fee (annual management charge*^)*** | ***1.35%*** | ***1.60%*** | ***1.85%*** |
| ***Depositary fee*** | ***Up to 0.140%*** | ***Up to 0.140%*** | ***Up to 0.140%*** |
| ***Performance fee*** | ***N/A*** | ***N/A*** | ***N/A*** |
| ***Administration fee*** | ***N/A*** | ***N/A*** | ***N/A*** |
| ***Servicing charge*** | ***N/A*** | ***1.06%*** | ***N/A*** |
| ***Registrar and Transfer, Corporate, Domiciliary and Administrative Agent fee*** | ***Up to 0.2175%*** | ***Up to 0.2175%*** | ***Up to 0.2175%*** |
| ***Additional fixed amount per Shareholder account at each Class level*** | ***Up to USD 30 per annum*** | ***Up to USD 30 per annum*** | ***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 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.*