



**FRANKLIN
TEMPLETON**

Product Key Facts
Franklin Templeton Investment Funds -
Franklin Euro Government Bond 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 Templeton Investment Management Limited, United Kingdom (internal delegation) and Franklin Advisers, Inc., United States of America (internal delegation)

Depository: J.P. Morgan SE, Luxembourg Branch

Base currency: EUR

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 (Ydis) EUR: 0.80%

*The ongoing charges figure is based on the semi-annual report for the period ended 31 December 2021. This figure 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

Franklin Euro Government Bond Fund (the "Fund") aims to maximise the investment return by achieving an increase in the value of its investments and earning income over the medium to long term.

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

- *investment grade obligations of governments and government-related issuers and supranational entities located within the European Monetary Union (Eurozone countries).*

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:

- *debt obligations of governments and government-related entities and supranational entities worldwide (including non-investment grade securities) (limited to 15% of assets invested in securities issued by (i) non-European Monetary Union issuers and (ii) issuers with ratings of BB+ or below and Ba1 or below*



- derivatives for hedging and efficient portfolio management purposes. 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.

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. For the avoidance of doubt, 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.

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 bonds 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 will seek to remove currency risk by hedging non-euro investments to the euro. In making investment decisions, the investment team thoroughly researches various factors that may affect bond prices.

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.

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's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situation, the governmental entity may be unwilling or unable to pay interest and repay principal, or the indebtedness may be restructured. In the event of a default on sovereign debt, the Fund may suffer significant losses. 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.

- **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.
- **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).
- **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.
- **Concentration risk:** By being concentrated in one region (i.e., Europe), the Fund could suffer greater volatility compared to funds that follow a more diversified policy. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting Europe and the Fund/investors may be adversely impacted.
- **Sustainability risk:** 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.
- **Securitisation risk:** This risk is applicable to the Fund's investments in a securitization which encompasses a wide-range of assets such as mortgage-backed securities and collateralised debt obligations. A securitization may be highly illiquid and prone



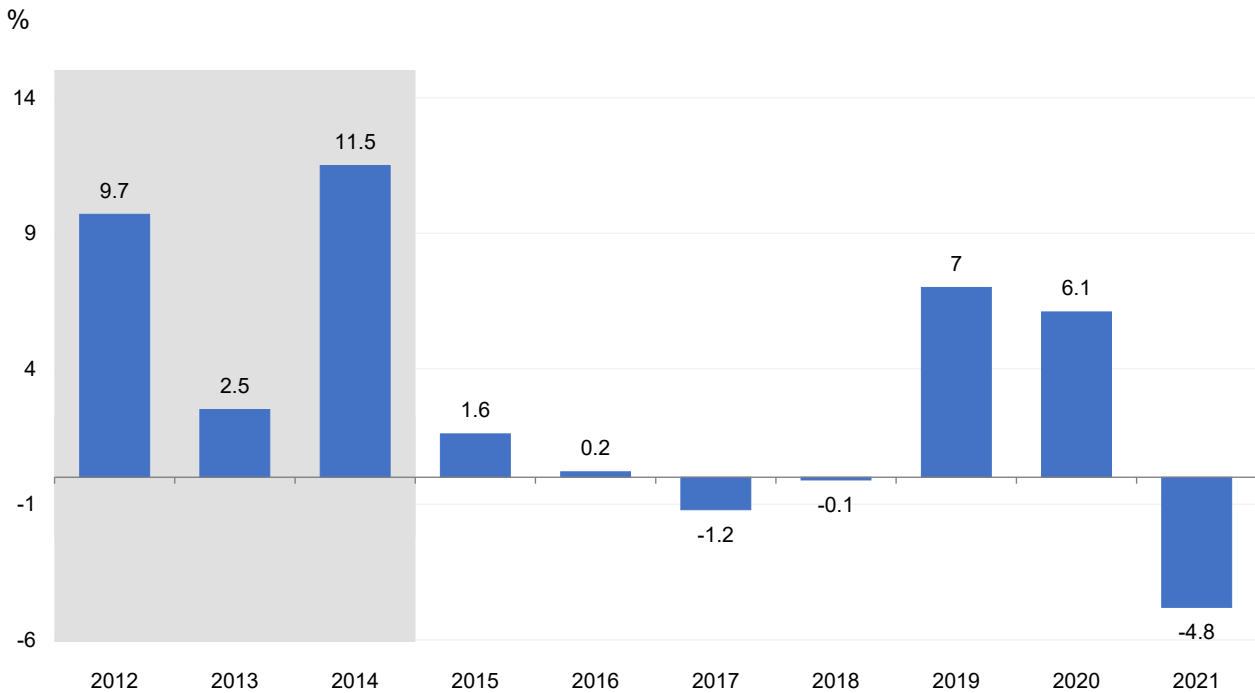
to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which 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.
- **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.
- **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.



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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 2015.

- 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 (Ydis) EUR increased or decreased in value during the calendar year being shown. Performance data has been calculated in EUR, including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Fund launch date: 8 January 1999
- Class A (Ydis) EUR launch date: 8 January 1999
- Effective 25 February 2021, Bloomberg Euro Government Bond Index (formerly known as Bloomberg Barclays Euro Government Bond 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
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*^)	0.55%
Depositary 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 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 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.