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**Product Key Facts**  
**Franklin Templeton Asia Fund Series -**  
**Franklin Select APAC Quality 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**

**Manager:** Franklin Templeton Investments (Asia) Limited

**Investment Manager:** Franklin Templeton Investment Management Limited, United Kingdom (internal delegation)

**Trustee:** Cititrust Limited

**Base currency:** USD

**Financial year end of this Fund:** 31 December

**Ongoing charges over a year<sup>#</sup>:**

Class A (Acc) USD: 1.42%

Class A (Mdis) USD: 1.40%

Class A (Mdis) HKD: 1.40%

Class A (Mdis) RMB-H1: 1.35%

<sup>#</sup> The ongoing charges figures are only estimates as the Fund is newly set up. The actual figures may vary from year to year. They represent the estimated ongoing expenses over a 12-month period chargeable to the relevant classes expressed as a percentage of the estimated average net asset value of the relevant classes over the same period.

**Dealing frequency:** Every Hong Kong Business Day

**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 unit.

**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 and is a sub-fund of Franklin Templeton Asia Fund Series.*

**Objective and Investment Strategy**

*The investment objective of Franklin Select APAC Quality Income Fund (the "Fund") is maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.*

*The Fund will invest in fixed or floating-rate debt securities issued by governments, government-related entities (including supranational organisations supported by several national governments) and corporations worldwide, among which at least 70% of the Fund's net asset value will be invested the Asia Pacific (including Japan) region. The Fund may invest into local currency bonds where the Manager has a constructive view on that local currency whereby it may appreciate relative to the Base Currency of the Fund.*

*The Fund will invest mainly (at least 70% of its net asset value) in investment-grade\* debt securities but may invest up to 20% of its net asset value in non-investment grade^ debt securities. The Fund may also invest 30% or more of its net asset value in emerging market debt securities. There is no intention for the Fund to invest more than 10% of its net asset value in securities issued and/or guaranteed*



by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade<sup>^</sup>. The Fund may invest less than 30% of its net asset value in Mainland China through the Bond Connect or directly (also referred to as CIBM (i.e. China Interbank Bond Market) direct<sup>\*</sup>). The Fund may invest up to 10% of its net asset value in urban investment bonds (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded on the exchange market and interbank bond market in the PRC). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

The Fund may utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be dealt on either Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts, as well as options. Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. It is not the Manager's current intention for the Fund to enter into securities lending transactions, sale and repurchase transactions or reverse repurchase transactions.

<sup>\*</sup> “Investment grade” is defined as a credit rating of Baa3 or above as rated by Moody's, BBB- or above as rated by Standard & Poor's, BBB- or above as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

<sup>^</sup> “Non-investment grade” or “below investment grade” is defined as a credit rating below Baa3 as rated by Moody's, below BBB- as rated by Standard & Poor's, below BBB- as rated by Fitch or an equivalent rating as rated by other internationally recognized rating agencies.

<sup>\*</sup> The CIBM direct is the PRC investment program revised in 2016 under which certain foreign institutional investors such as the Umbrella Fund and the Fund may invest, without particular license or quota, directly in RMB fixed income securities dealt on the CIBM.

## 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 below and therefore your investment in the fund may suffer losses. There is no guarantee of the repayment of principal.
- **Foreign currency risk:** The Fund may invest in securities that are denominated in currencies other than the base currency of the Fund, Units may be issued in a currency different from the Base Currency of the Fund, and the Fund's value may be adversely affected by changes in exchange rates between these currencies and the Base Currency of the Fund and the possibility of exchange control regulations.
- **Debt securities risks:** The Fund may invest in debt securities which are subject to the following risks which may adversely impact the Fund:
  - Sovereign debt risk: Sovereign debt securities are subject to the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or other political considerations. In adverse situations, the sovereign debtors may request the Fund to participate in restructuring such debts. In the event of a default on sovereign debt, the Fund may have limited legal recourse against the defaulting government entity.
  - Interest rate risk: A debt security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise.
  - Credit risk: Credit risk is the risk that an issuer will fail to make principal and interest payments when due. Changes in the financial condition of an issuer, changes in economic and political conditions in general or specific to an issuer (particularly



a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values.

- **Credit rating risk:** 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.
- **Credit rating agency risk:** The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.
- **Valuation risk:** Valuation of the Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the calculation of the net asset value of the Fund.
- **Downgrading risk:** Issuers or guarantors of debt securities may be subject to credit difficulties, leading to either the downgrading of such securities, or to the loss of some or all of the sums invested in such securities or payments due on such securities. In the event of a downgrading in the credit rating of debt securities or their issuers, the value of the affected securities or their liquidity may fall which may in turn have an adverse impact on the value of the Fund. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- **Non-investment grade securities risk:** The Fund may invest in higher-yielding securities rated lower than investment grade, which involve lower liquidity, higher volatility and greater risk of delays in interest and principal payments or a complete loss of the Fund's investment than higher-quality debt securities.
- **Risk associated with 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 the PRC. 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.
- **Concentration risk:** The Fund's investments focus on Asia Pacific, which may increase the concentration risk. Consequently, the Fund is particularly susceptible to the adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the region. The net asset value of the Fund may be more volatile than a diversified fund.
- **Emerging markets risk:** The Fund may invest in emerging markets, which are generally smaller and less liquid, with greater exposure to economic, political, and regulatory uncertainties, than developed markets. The risks of investments in emerging markets may include: investment and repatriation restrictions; the potential for higher market volatility; shallow and substantially less liquid securities markets; international and regional political and economic developments; possible imposition of exchange controls; settlement risks; custody risks or other local governmental laws or restrictions. Investments in emerging markets may be considered speculative, and may lead to significant losses to the Fund.
- **Market risk:** This is a general risk which affects all types of investment. Price trends are determined mainly by financial market trends and by the economic development of the issuers, who are themselves affected by the overall situation of the global economy and by the economic and political conditions prevailing in each country. Because the securities the Fund holds fluctuate in price, the value of your investment in the Fund will go up and down. You may not get back the amount you invested.
- **China Bond Connect risk:** Investing in the CIBM via Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected.
- **Risks associated with the CIBM direct:** Investing in the CIBM via the CIBM direct is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt



securities. The relevant rules and regulations on investment in the CIBM via the CIBM direct are subject to change which may have potential retrospective effect. In the event that the relevant authorities in Mainland China suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected.

- **Currency hedged class risk:** The Manager will be employing currency hedging strategies to reduce exchange rate fluctuations between the currency of the hedged Classes and the Base Currency of the Fund. Financial derivative instruments may be used by the hedged Classes of the Fund as part of such hedging strategy and the Fund may therefore be subject to the risks relating to such instruments. Factors that could adversely impact the ability of the Manager to achieve the hedging objective include transaction costs associated with implementing the hedging strategies and differences in notional amounts employed and the actual value of the position in the Fund being hedged. The precise hedging strategy may vary, and there is no guarantee that the hedging will be effective and investors of such hedged Classes may still be subject to the currency exchange risk on an unhedged basis. If the counterparties of the instruments default, investors in the hedged Classes may be exposed to currency risk on an unhedged basis and may therefore suffer further losses. In addition, the cost of hedging transactions will be borne by the hedged Classes. Hedged Classes will hedge the Base Currency of the Fund back to the Class Currency, on a best efforts basis, with an objective to align the performance of the hedged Classes to that of the equivalent Class denominated in the Base Currency of the Fund. This strategy may limit Unitholders of the relevant hedged Class from benefiting from any potential gain resulting from the appreciation of the Base Currency against the Class Currency.
- **Renminbi currency risks:** The RMB exchange rate is not pegged to the US dollar. RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. RMB exchange rate is also subject to exchange control policies. The exchange rate between RMB and other currencies may be susceptible to movements based on external factors and as a result investments in Classes denominated in RMB may be adversely affected by the fluctuations in the exchange rate between RMB and other foreign currencies even though underlying investments increase in value. RMB is currently not a freely convertible currency. The supply of RMB and the conversion of foreign currency into RMB are subject to foreign exchange control policies of and restrictions imposed by the Mainland authorities, and as such currency conversion is subject to the availability of RMB at the relevant time. There is a risk that payment of redemption monies and/or dividends in RMB may be delayed when there is not sufficient amount of RMB for currency conversion for settlement of the redemption monies and distributions in a timely manner. In any event, redemption monies will be paid within one calendar month upon receipt of all properly completed documentation. The RMB Class available in the Fund is valued with reference to offshore RMB (CNH) rather than onshore (CNY). RMB convertibility from CNH to CNY is a managed currency process. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. CNH does not necessarily have the same exchange rate, may have wider bid-offer spreads, and may not move in the same direction as compared to CNY due to a number of factors including, without limitation, foreign exchange control policies and repatriation restrictions. The fluctuation in the CNH/CNY exchange rate may impact the value of the RMB class. There can be no assurance that RMB will not be subject to devaluation, which may adversely affect the value of investors' investments in the RMB Class. Investors of the RMB Class may have to convert HK dollar or other currency(ies) into RMB when investing in Classes denominated in RMB and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to HK dollar or such other currency(ies). Investors will incur currency conversion costs and you may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currency(ies).
- **Derivative risk:** The Fund may have exposure to derivatives for hedging, efficient portfolio management and investment purposes, which may expose the Fund to higher counterparty, liquidity and market risks. There is no guarantee that the Fund's use of derivatives for hedging, efficient portfolio management or investment purposes will be effective. Derivatives are subject to transaction costs and typically involve making a small investment relative to the market exposure assumed, creating a leverage effect that may result in higher volatility or, in adverse market conditions, a significant loss in the Fund's assets within



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*a short period of time. The leverage element/component of derivatives can result in a loss significantly greater than the amount invested in the derivatives by the Fund.*

- **Liquidity risk:** *The Fund may not be able to easily sell securities due to adverse market conditions or the reduced 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. The bid and offer spreads of the price of debt securities may be large and the Fund may incur significant trading costs.*
- **Dividend policy risk:** *The Fund's dividend policy may allow for payment of dividends 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 Unit. Unitholders should accordingly note that dividend payout from the Fund may not be equivalent to the yield of your investment in the Fund. Further, the distribution amount and the net asset value of the hedged Classes may be adversely affected by differences in the interest rates of the reference currency of the hedged Classes 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 Classes.*



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**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: 13 August 2021.*

**Is there any guarantee?**

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





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#### 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.

<b>Fee</b>	<b>What you pay</b>
	<b>Class A</b>
<b>Subscription fee (Initial sales charge)</b>	<b>Up to 5.00% of the amount to be invested</b>
<b>Switching fee (Switching charge)</b>	<b>Up to 1.00% of the value of the units being switched</b>
<b>Redemption fee (Redemption charge)</b>	<b>N/A</b>

##### **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.

	<b>Annual rate (as a % of the Fund's net asset value)</b>
	<b>Class A**</b>
<b>Management fee*</b>	<b>0.70%</b>
<b>Trustee fee</b>	<b>Up to 0.04%</b>
<b>Performance fee</b>	<b>N/A</b>
<b>Administration fee</b>	<b>Up to 0.20%</b>
<b>Maintenance charge</b>	<b>0.30%</b>
<b>Registrar and Transfer Agent fee</b>	<b>Up to 0.04%</b>

\*The current fees may be increased up to the maximum levels permitted by the constitutive document of the Fund by giving at least one month's prior notice to unitholders.

\*\*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 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 after the Registrar, Franklin Templeton Investments (Asia) Limited, receives your request in good order at or before 4:00 p.m. Hong Kong time for instructions submitted in person, via facsimile or by post and 4:00 p.m. New York (Eastern time) in the United States for instructions submitted via electronic means (SWIFT and Direct Electronic Link with the Registrar), on each "dealing day" (i.e. any business day which is also a "valuation day"). Certain intermediaries may impose an earlier dealing cut-off time.
- The net asset value of the Fund is calculated on each "valuation day" and the price of units is published on each "dealing day" on the Manager's website at [www.franklintempleton.com.hk](http://www.franklintempleton.com.hk).
- The compositions of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the preceding 12 months (or if the Fund was launched less than 12 months ago, since its inception) for the Fund are available from the Manager and on the Manager's website.
- 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](http://www.franklintempleton.com.hk).



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- *Investors may obtain information on the intermediaries by calling the Manager at (852) 2877-7733 or visiting the Manager's website.*
- *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.*