



**FRANKLIN
TEMPLETON**

Product Key Facts
Franklin Templeton Investment Funds -
Franklin Innovation 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: 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 (acc) USD: 1.80%

*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 Innovation Fund (the "Fund") aims to achieve capital appreciation.

The Fund invests principally (that is, at least two-thirds of the Fund's net assets) in equity and equity-related securities of companies that are leaders in innovation (e.g. applying novel solutions to potentially huge addressable markets), take advantage of new technologies (especially in e-commerce, genetics medicine, robotics, financial transactions, and data delivery and storage), have superior management (e.g. that with the vision to identify market needs that have yet to be fully expressed) and benefit from new industry conditions (e.g. secular changes in the way people communicate, shop and pay for goods and services, cure themselves, and spend their leisure time) in the dynamically changing global economy. Equity and equity-related securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities. Investments in convertible securities will not exceed 10% of the Fund's total net assets. The Fund can invest in companies located anywhere in the world, but may have a substantial part of its portfolio invested in companies located or traded in the US, as well as in foreign securities that are traded in the US and American Depositary Receipts ("ADRs").



The Fund invests in companies in any economic sector and of any market capitalisation. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research to seek companies meeting its criteria of sustainable growth driven by innovation. 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 are an integral component of its fundamental bottom up research. The investment manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Fund’s portfolio to determine a company’s profile on relevant ESG issues. The investment manager evaluates the companies which may be potential investment for the Fund (“Fund’s Investment Universe”) and assigns an overall ESG rating based on quantitative and qualitative factors such as data security, gender diversity and inclusion as well as climate risk/greenhouse gases emissions/carbon footprint. The rating assigned to the issuers by the investment manager based on the proprietary ESG methodology comprises four grades: AAA (best in class/very good), AA (good), A (fair) and B (needs improvement). The investment manager’s ESG approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies. Companies rated “B” or those not rated due to the company not meeting the investment manager’s fundamental criteria are excluded from the Fund’s portfolio.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the investment manager’s analysis:

- *Seriously violate the United Nations Global Compact Principles (without positive perspective);*
- *Generate more than 10% of revenue from the production and/or distribution of weapons;*
- *Are involved in the production, distribution or wholesale trading of dedicated and/or key components of banned weapons¹ (i.e., antipersonnel mines, biological & chemical weaponry and cluster munitions);*
- *Manufacture tobacco or tobacco products or those that derive revenue from such products that exceeds 5%;*
- *Generate more than 10% of their revenue from thermal coal extraction or coal-based power generation.*

Furthermore, the Fund will not invest in sovereign issuers which have inadequate scoring according to the Freedom House Index².

As a result of the aforementioned ESG methodology and exclusions, the weighted average base ESG score of the Fund’s portfolio is higher than the average base ESG score of the Fund’s Investment Universe. ESG scores for each portfolio company will be reviewed and updated at least annually.

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.

Although the Investment Manager searches for investments across a large number of sectors, the Fund may have significant positions in particular sectors such as, for example, information technology (including software and internet), communications services and health care (including biotechnology). In the event of market appreciation, the Fund’s investment in a given sector or industry may represent a significant portion of the Fund’s portfolio.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 100% of the Fund’s assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include short-term US government securities, high-grade commercial paper, bank obligations, Money Market Fund shares (including shares of an affiliated Money Market Fund) and other Money Market Instruments. “High-grade” refers to those investments that are rated above investment grade by internationally recognized credit agencies e.g. Standard & Poor’s, Moody’s, Fitch. The Fund may also invest up to 5% of its net assets in units of UCI such as UCITS, Exchange Traded Funds as well as other UCIs.

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

¹ (a) Weapons according to (i) The Convention of the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction and (ii) The Convention on the Prohibition of Cluster Munitions and (b) weapons classed as either B- or C- weapons pursuant to the United Nations Biological Weapons Convention and the United Nations Chemical Weapons Convention respectively.

² <https://freedomhouse.org/countries/freedom-world/scores>. This website has not been reviewed by the SFC.



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.*
- **Biotechnology, communication and technology sectors risk:** *Investment in the biotechnology, communication and technology sectors may present greater risk and higher volatility than investment in a broader range of securities covering many different economic sectors. Companies in these sectors may be in their preliminary stage of development and therefore may rely heavily on research development and may face intense competition which may have an adverse effect on profit margins and such companies will have high uncertainty and volatility in price performance when compared to other economic sectors. The value and performance of the Fund may be adversely affected as a result.*
- **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.*
- **ADRs risk:** *ADRs do not eliminate currency and economic risks for underlying shares of a company operating in another country. In addition to the risks linked to their underlying security, ADRs bear price risk and counterparty risk: The price of an ADR may not perfectly track the price of its underlying common share and may trade at a premium or a discount. ADR holders, including the Fund may face administrative difficulties in recovering the value of their holding in case of default of payment on the part of the issuer or depositary bank or underlying security of an ADR. Holders of ADRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights.*
- **Concentration risk:** *The Fund seeks to maintain a portfolio with holdings in a relatively limited number of issuers. By being less diversified, the Fund may be more volatile than broadly diversified funds, or may be exposed to greater risk since underperformance of one or a few positions will have a greater impact on the Fund's assets. The Fund may be adversely affected as a result of such greater volatility or risk.*
- **Geographical concentration risk:** *The Fund's investments may be concentrated in the US. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US market.*
- **Growth stocks risk:** *Growth stocks can be more volatile and may be more expensive, relative to earnings, than the market in general. The Fund may be adversely affected by the greater volatility of investments in such stocks.*
- **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*



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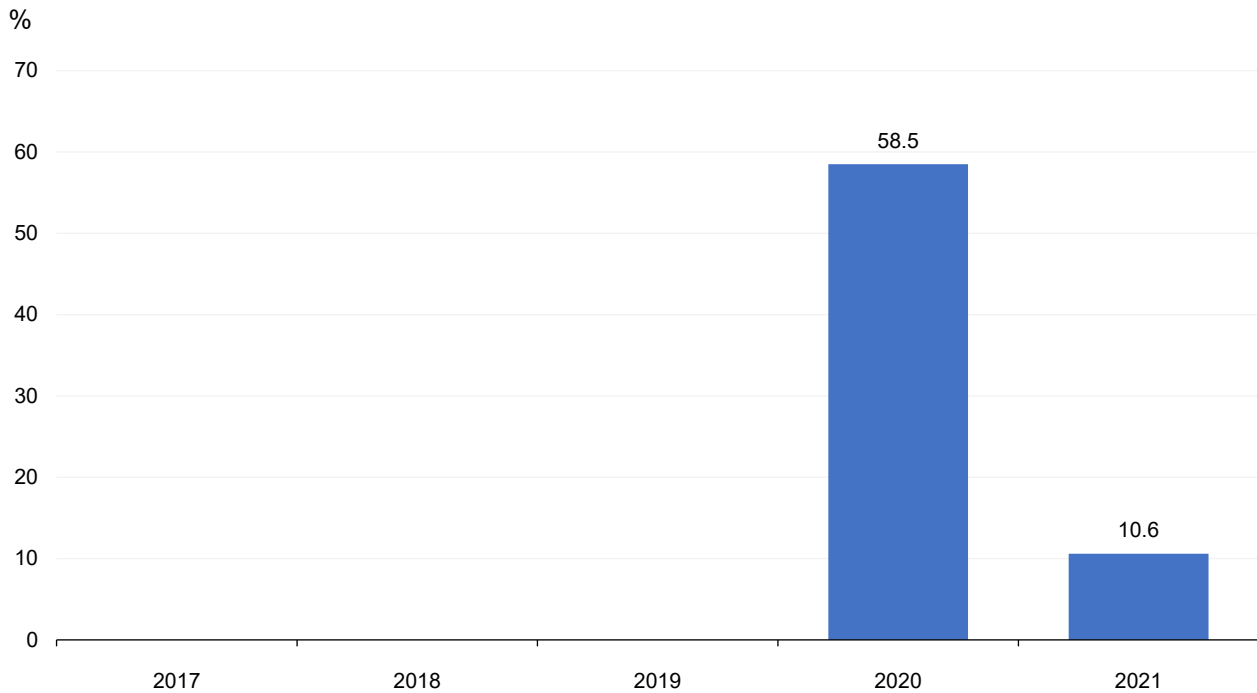
fluctuations of the Fund's value are often exacerbated in the short-term. Financial markets trends (including feared or actual failures in the banking system) may also cause large fluctuations in the prices of such securities. As a result, the Fund may be adversely affected.

- **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.*
- **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?



- *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 (acc) USD increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD, 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: 8 November 2019
- Class A (acc) USD launch date: 8 November 2019
- *Effective 25 February 2021, Russell 1000 Growth 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*^)	1.50%
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 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.