Product Key Facts
Franklin Templeton Investment Funds -
Templeton Global Total Return II 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 (Mdis) AUD-H1: 1.43%
Class A (Mdis) EUR: 1.40%
Class A (Mdis) EUR-H1: 1.43%
Class A (Mdis) GBP-H1: 1.43%
Class A (Mdis) HKD: 1.40%
Class A (Mdis) USD: 1.40%
Class A (acc) HKD: 1.40%
Class A (acc) USD: 1.40%

[#] 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 Global Total Return II Fund (the "Fund") aims to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

The Fund seeks to achieve its objective by investing principally (that is, at least two-thirds of the Fund's net assets) in a portfolio of fixed and floating-rate debt securities and debt obligations (including investment grade and non-investment grade^ securities) issued by government and government-related issuers or corporate entities worldwide. The Fund may purchase fixed income securities and debt obligations denominated in any currency. The Investment Manager actively manages currencies to capture potential returns from currency realignments or to hedge-out an undesired currency exposure.

The Fund may invest on an ancillary basis (that is, below one-third of the Fund's net assets, or otherwise as specified below) in:

- *mortgage- and asset-backed securities;*
- *debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank;*
- *securities or structured products (such as credit-linked securities, commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country;*
- *securities in default (up to 10% of the Fund's net assets);*
- *equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation;*
- *units of UCITS and other UCIs (up to 10% of the Fund's net assets);*
- *convertible bonds;*
- *mortgage dollar roll transactions*;*
- *Mainland China through the Bond Connect or directly (also referred to as CIBM (i.e. China Interbank Bond Market) direct+) (less than 30% of the Fund's net assets);*
- *debt securities issued or guaranteed by each single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade^ at the time of purchase, such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay (up to 25% of the Fund's net assets). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time; and*
- *Unrated securities#.*

The Fund may invest in debt instruments with loss-absorption features ("LAP") e.g. contingent convertible debt 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.

The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction. 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.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, interest rate swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Structured products such as credit-linked notes may embed derivatives or have features similar to those of a financial derivative instrument. Where this is the case, they will be treated as financial derivative instruments. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet *shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index-based financial derivatives and credit default swaps.*

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.

^ "Non-Investment grade"/ "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.

* In a mortgage dollar roll, the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date.

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

For the purpose of the Fund, "unrated" refers to where neither the instrument itself nor its issuer has a credit rating.

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.

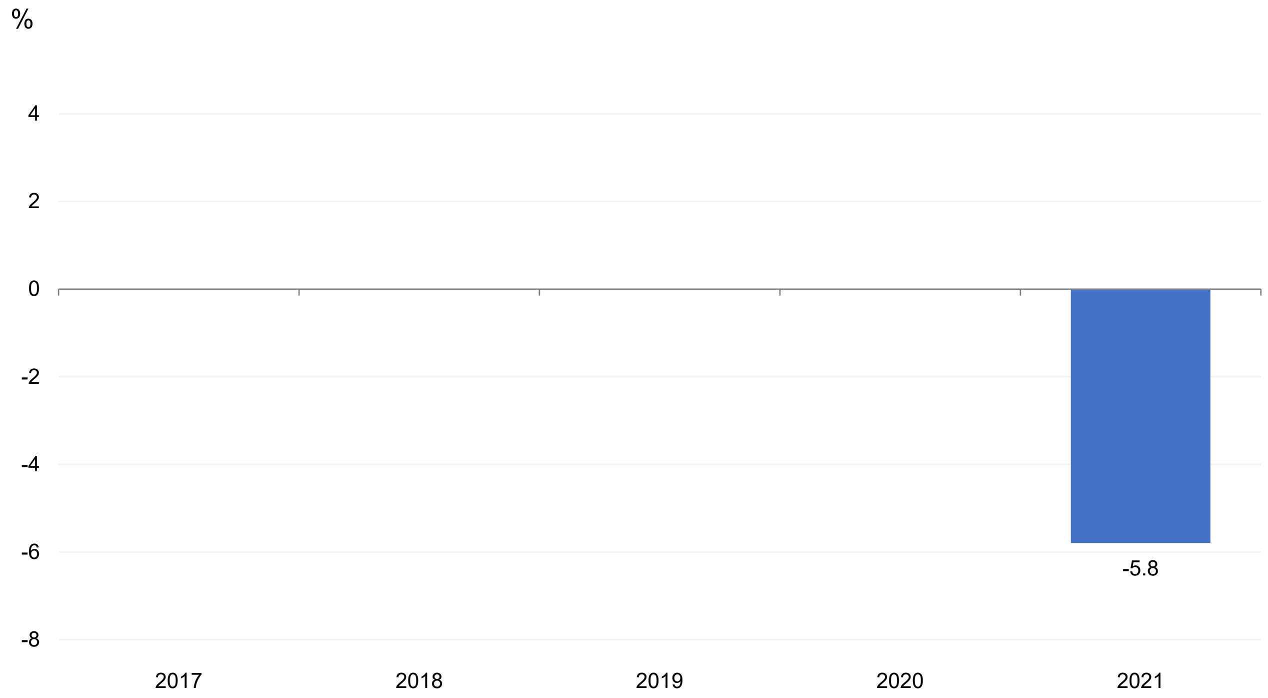
- ***General investment risk:*** *The Fund's investment portfolio may fall in value due to any of the key risk factors as disclosed and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.*
- ***Foreign currency risk:*** *Underlying investments 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.*
- ***Risks associated with debt securities:***
    - *Credit risk: The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.*
    - *Downgrading risk: 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. Debt securities being downgraded in the midst of high market volatility, may experience reduced liquidity which could lead to a decrease in readily available market value, and the Investment Manager may or may not be able to dispose of the debt instruments being downgraded.*
    - *Interest rate risk: 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 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.*
    - *Defaulted debt securities risk: The Fund may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). Such securities may not be able to make principal payments and may decrease in value and/ or become illiquid.*
    - *Sovereign debt risk: 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.*
    - *Risk associated with debt securities rated below investment grade or unrated: The Fund may invest in debt securities rated below 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.*
- ***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.*
- ***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.*
- ***Counterparty risk:*** *The Fund may be exposed to the credit/default risks of its counterparties and the Fund/investors may be adversely impacted.*
- ***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.*
- ***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.*
- ***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.*
- ***Derivative instruments risk:*** *Derivative instruments including currency management strategies 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:*** *This risk is applicable to the Fund's investments in structured products. 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 as the secondary market may not exist, and this may adversely affect the Fund.*
- ***Credit-linked securities risk:*** *The Fund may invest in credit-linked securities. The Fund may be adversely affected by any delay or cessation in the making of payments by the issuers of the debt obligations underlying the credit-linked security or by the issuer*

of the credit-linked security. If the market for credit-linked securities becomes illiquid, the Fund could experience difficulties in selling such security at a price the Investment Manager believes is fair, and the Fund may be adversely impacted.

- ***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.*
- ***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.*
- ***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?



- *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) HKD increased or decreased in value during the calendar year being shown. Class A (Mdis) HKD is the share class available in Hong Kong with the longest history in the Fund. Performance data has been calculated in HKD, 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: 18 June 2020*
- *Class A (Mdis) HKD launch date: 18 June 2020*
- *Effective 25 February 2021, Bloomberg Multiverse Index (formerly known as Bloomberg Barclays Multiverse 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.

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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 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*^)	***1.05%***
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 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.*