



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

Trustee: Cititrust Limited

Base currency: USD

Financial year end of this Fund: 31 December

Ongoing charges over a year[#]:

Class A (Acc) USD: 1.85%

Class A (Mdis) USD: 1.85%

Class A (Mdis) HKD: 1.85%

Class A (Mdis) RMB-H1: 1.80%

[#] 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 Templeton Select APAC Income Fund (the "Fund") is to achieve a level of total return consisting of income and capital appreciation, allowing it to support a steady level of distribution. There is no guarantee that the Fund will achieve its objective.

The Fund intends to achieve its investment objective by actively managing direct and indirect exposure to equities, fixed income securities, cash and equivalents, and collective investment schemes. Indirect exposure to equities and fixed income securities may be achieved by way of investments in options, futures, collective investment schemes and exchange-traded funds. The Fund may invest up to 70% of its net asset value in each of equities and debt securities. Investors should note that the Fund will invest in multiple asset classes with no formal limits on investment in asset classes or sectors. The asset allocation of the Fund will change according to the



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Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

The Fund invests directly and indirectly in equity securities of companies of any market capitalisation located anywhere in the Asia Pacific (including Japan) region, including emerging markets. The Fund will not, in aggregate, directly and indirectly invest more than 10% of its net asset value in China A shares (through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect or other means) and B shares.

The Fund also invests in fixed and floating rate debt securities issued by government, government-related and/or corporate entities in the Asia Pacific (including Japan) region as well as debt obligations issued by supranational entities organised or supported by several national governments. There is no minimum credit rating requirement associated with the Fund's investments in debt securities, and the Fund may invest up to 20% of its net asset value in non-investment grade debt securities[^]. However, 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[^]. 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 invest in equities and debt securities directly or indirectly through investments in other collective investment schemes which have similar investment objectives and/or strategies as the Fund. Collective investment schemes which the Fund may invest into may be those managed by Franklin Templeton Investments entities' as well as those managed by other asset managers.

The Fund's maximum exposure to underlying collective investment schemes may be up to 100% of the Fund's net asset value.

The Fund may invest up to 70% of its net asset value in each of the Templeton Select APAC Equity Income Fund ("**Equity Income Fund**") and the Franklin Select APAC Quality Income Fund ("**Quality Income Fund**"), sub-funds of the Franklin Templeton Asia Fund Series ("**Umbrella Fund**"). The Equity Income Fund aims to achieve capital appreciation and income generation by investing principally (i.e. at least 70% of its net asset value) in a portfolio of above-market yielding stocks and mispriced quality stocks with higher capital appreciation potential which are listed and/or traded on Recognized Exchanges throughout the Asia Pacific (including Japan) region, including emerging markets. The Quality Income Fund aims to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing 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. Please refer to Appendix III and IV of the Explanatory Memorandum of the Umbrella Fund for information about the Equity Income Fund and the Quality Income Fund. Other than the Equity Income Fund and the Quality Income Fund, the Fund's investment in each underlying collective investment scheme would not exceed 30% of the Fund's net asset value.

The Fund may use financial derivative instruments for hedging as well as for investment purposes. The financial derivative instruments that the Fund may use for investment purposes include (but are not limited to) warrants, futures and options (including the writing of call 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.

[^] "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.

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.*
- **Asset allocation risk:** *The Fund applies an actively managed asset allocation approach. The investments of the Fund may be periodically rebalanced and therefore the Fund may incur greater transaction costs than a fund with static allocation strategy. A Fund could experience losses if the Manager's judgment about markets, future volatility, interest rates, industries, sectors and regions prove to be incorrect. Legislative or regulatory developments (which may apply retrospectively) may affect the investment techniques available to the Manager.*
- **Investment funds risk:** *The Fund's performance is directly impacted by the performance of any investment funds held by it. The Fund does not have control of the investments of the underlying investment funds and there is no assurance that the investment objective and strategy of the underlying investment funds will be successfully achieved which may have a negative impact to the net asset value of the Fund. There may be additional fees involved in such investments, including management and advisory fees and other expenses charged by the underlying investment funds. There can be no assurance that (1) the liquidity of the underlying investment funds will always be sufficient to meet redemption requests; and (2) the investment objective will be successfully achieved despite the due diligence and monitoring procedures undertaken by the Manager. These factors may have an adverse impact on the value of the Fund.*
- **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 securities of similar credit quality, 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 LGFVs (as defined above). 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.
- **Equity risk:** The Fund may invest in equity and equity related securities and its value may be affected by economic, political, market, investment sentiment and issuer specific changes. Such changes may adversely affect securities regardless of company specific performance which may in turn adversely affect the value of the Fund.
- **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.
- **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 investment or hedging 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 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 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.



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.

Fee	What you pay
	Class A
Subscription fee (Initial sales charge)	Up to 5.00% of the amount to be invested
Switching fee (Switching charge)	Up to 1.00% of the value of the units 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*	1.00%
Trustee fee	Up to 0.04%
Performance fee	N/A
Administration fee	Up to 0.20%
Maintenance charge	0.50%
Registrar and Transfer Agent fee	Up to 0.04%

*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.
- 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.



- *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.