



# FRANKLIN TEMPLETON SHARIAH FUNDS

SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE

INCORPORATED IN LUXEMBOURG

This prospectus relates to a foreign collective investment scheme which is not subject to any form of domestic regulation by the Brunei Darussalam Central Bank (the 'Authority'). The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved this prospectus or any other associated documents nor taken any steps to verify the information set out in this prospectus and is not responsible for it.

The units to which this prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

If you do not understand the contents of this prospectus you should consult a licensed financial adviser.



**Local representative in Brunei :**

BIBD Securities Sdn Bhd  
TINGKAT 1, KOMPLEKS SETIA KENANGAN, KG KIULAP,  
BANDAR SERI BEGAWAN, BE1518,  
BRUNEI DARUSSALAM

**Fees charged by local representative :**

- Sales charge (front end) - up to 5% on the total amount invested
- Redemption - 0%
- Internal Switching (within Franklin Templeton Shariah Funds) - 1% of the total amount switched
- External Switching (outside of the Franklin Templeton Shariah Funds ) - up to 5% of the total amount switched
- Penalties and Interest - N/A

# FRANKLIN TEMPLETON SHARIAH FUNDS

**PROSPECTUS**

**SOCIÉTÉ D'INVESTISSEMENT**

**À CAPITAL VARIABLE**

**INCORPORATED IN LUXEMBOURG**

**DATED JULY 2025**

**FRANKLIN TEMPLETON SHARIAH FUNDS**  
Société d'investissement à capital variable  
Registered office: 8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S. Luxembourg B-169.965

**OFFER**

of separate classes of shares of no par value of Franklin Templeton Shariah Funds (the "**Company**"), each linked to one of the following sub-funds (the "**Funds**") of the Company, at the published offer price for the Shares of the relevant Fund:

1. **Franklin Global Sukuk Fund**
2. **Franklin Shariah Global Multi-Asset Income Fund**
3. **Franklin Shariah Technology Fund**
4. **Templeton Shariah Global Equity Fund**

## **FRANKLIN TEMPLETON SHARIAH FUNDS – IMPORTANT INFORMATION**

If you are in any doubt about the contents of this prospectus (the "**Prospectus**"), you should consult your bank, stockbroker, solicitor, accountant, financial or other Shariah adviser. No one is authorised to give any information other than that contained in this Prospectus or in any of the documents referred to herein.

**Investors should be aware that the Funds will be managed in accordance with the Shariah Guidelines as determined by the Shariah Supervisory Board.**

### **The Company**

The Company is incorporated in Luxembourg under the laws of the Grand Duchy of Luxembourg as a *société anonyme* and qualifies as a *société d'investissement à capital variable* ("**SICAV**").

The Company is registered on the official list of undertakings for collective investment in transferable securities pursuant to Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time (the "**Law of 17 December 2010**"). The Company qualifies as an Undertaking for Collective Investment in Transferable Securities ("**UCITS**") under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended.

The Company has appointed Franklin Templeton International Services S.à r.l., *société à responsabilité limitée* with its registered office at 8A, rue Albert Borschette, L-1246 Luxembourg, Grand-Duchy of Luxembourg as management company to provide investment management, administration and marketing services to the Company with the possibility to delegate part or all of such services to third-parties.

The Company has obtained recognition for marketing its Shares in certain European countries (in addition to the Grand Duchy of Luxembourg). The registration of the Shares of the Company in any jurisdiction does not require any authority to approve or disapprove the adequacy or accuracy of this Prospectus or the securities portfolios held by the Company. Any statement to the contrary is unauthorised and unlawful.

Facilities to investors according to Art.92(1) b) to e) of the Directive 2009/65/EC (as amended by Directive (EU) 2019/1160) are available at <https://www.eifs.lu/franklintempleton> for certain EEA countries.

The distribution of this Prospectus and the offering of the Shares may be restricted in certain other jurisdictions. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of and to comply with all applicable laws and regulations of any relevant jurisdictions. Attention of Investors is also drawn to the fixed amount which may be levied on transactions by Distributors, local paying agents and Correspondent Banks established in certain jurisdictions such as Italy. Prospective Investors for Shares should make themselves aware of the legal requirements with respect to such application and of any applicable taxes in the countries of their respective citizenship, residence or domicile.

This Prospectus relates to Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority ("**DFSA**") and is not directed to "retail clients" as defined by the DFSA (except for public distribution of funds through intermediaries in accordance with applicable laws). The DFSA has no responsibility for reviewing or verifying this Prospectus or other documents in connection with the Funds. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it. The offering of the Shares may be subject to restrictions on their resale. Prospective Investors should conduct their own due diligence on the Shares and should consult an authorised financial advisers if they do not understand the contents of this Prospectus.

The Company may apply for registration of the Shares in various other legal jurisdictions worldwide.

The Company does not have any debentures, loans, borrowings or indebtedness in the nature of liabilities under acceptances or acceptance credits, mortgage hire purchase commitments, guarantees or other material contingent liabilities.

The Company is not registered in the United States of America under the Investment Company Act of 1940. The Shares of the Company have not been registered in the United States of America under the Securities Act of 1933. The Shares made available under this offer may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of nationals or residents thereof, unless pursuant to an exemption from registration requirements available under US law, any applicable statute, rule or interpretation. Persons located (domiciled) in the US or other US Persons (as defined from time to time by Regulation S of the United States Securities Act of 1933) (collectively, "**US Persons**") are not eligible to purchase Shares in the Company. Prospective Investors shall be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person. In the absence of written notice to the Company to the contrary, the provision by a potential investor of a non-US address on the application form for investment in the Company, will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until the Company is otherwise notified of a change in the investor's US Person status.

The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.

The Company is not registered in any provincial or territorial jurisdiction in Canada and Shares of the Company have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. The Shares made available under this offer may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof, unless such Canadian resident is, and will remain at all times during their investment, a "permitted client" as that term is defined in Canadian securities legislation. Prospective Investors may be required to declare that they are not a Canadian resident and are not applying for Shares on behalf of any Canadian residents. If an Investor becomes a Canadian resident after purchasing Shares of the Company, the Investor will not be able to purchase any additional Shares of the Company.

Statements made in this Prospectus are based on the laws and practice currently in force in the Grand Duchy of Luxembourg, and are subject to changes in those laws and practice.

This Prospectus does not constitute an offer to anyone or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so.

The price of Shares in the Company and the income from them may go down as well as up and an Investor may not get back the amount invested. Attention of Investors is more specifically drawn to the fact that investment by the Company, as defined hereafter, may trigger specific risks, as more fully described under the section "Risk Consideration".

The most recent audited annual and unaudited semi-annual reports of the Company which are available free of charge and upon request at the registered office of the Company and the Management Company, form an integral part of this Prospectus.

Investors desiring to receive further information regarding the Company (including the procedures relating to complaints handling, the strategy followed for the exercise of the voting rights of the Company, the policy for placing orders to deal on behalf of the Company with other entities, the best execution policy as well as the arrangements relating to the fee, commission or non-monetary benefit in relation with the investment management and administration of the Company) or wishing to make a complaint about the operation of the Company should contact the Management Company client service department, 8A, rue Albert Borschette, L-1246 Luxembourg or their local servicing office.

The Company and the Management Company draw the Investors' attention to the fact that any Investor will only be able to fully exercise her/his Investor's rights directly against the Company, notably the right to participate in general meetings of the Shareholders, if the Investor is registered himself and in his own name in the register of Shareholders of the Company.

If an Investor invests in the Company through an intermediary investing in the Company in his own name but on behalf of the Investor, (i) it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company and (ii) Investors' rights to indemnification in the event of errors/non-compliance within the meaning of CSSF Circular 24/856 may be impacted. The Management Company, acting as principal distributor of the Company (the "**Principal Distributor**"), will also organise and oversee the marketing and distribution of the Shares. The Principal Distributor may engage sub-distributors, intermediaries, brokers and/or professional investors (who may be affiliates of Franklin Templeton and who may receive part of the maintenance charges or other similar fees).

Moreover, the Management Company decided that, when required by the relevant legal, regulatory and/or tax environment applicable to some particular countries where the Shares of the Company are or will be offered, the duties of organising and overseeing the marketing and distribution of Shares, or the distribution of Shares itself, currently dedicated on a worldwide basis to the Principal Distributor, may be allocated to such other entities (who may be affiliates of Franklin Templeton) directly appointed by the Management Company from time to time.

Subject to the provisions of the agreements in place with the Management Company, such other parties may in turn engage sub-distributors, intermediaries, brokers and/or professional investors (who may be affiliates of Franklin Templeton). Notwithstanding the foregoing, the Management Company will also monitor the appointment and activities of the sub-distributors, intermediaries, brokers and/or professional investors as part of its activity as Principal Distributor.

Distributors, sub-distributors, intermediaries and brokers/dealers engaged in the activity of marketing and distributing the Shares shall abide by and enforce all the terms of this Prospectus including, where applicable, the terms of any mandatory provisions of Luxembourg laws and regulations relating to the distribution of the Shares. They shall also abide by the terms of any laws and regulations applicable to them in the country where their activity takes place, including, in particular, any relevant requirements to identify and know their clients. They must not act in any way that would be damaging or onerous on the Company and/or the Management Company in particular by submitting the Company and/or the Management Company to regulatory, fiscal or reporting information it would otherwise not have been subject to. They must not hold themselves out as representing the Company.

For the avoidance of doubt, Investors buying Shares or investing through such other parties (or through sub-distributors, intermediaries, brokers/dealers and/or professional investors appointed by such other parties) will not be charged additional fees and expenses by the Company or the Management Company.

Whenever applicable, all references in this Prospectus relating to the Principal Distributor should therefore also read as references to such other parties appointed by the Management Company.

The Directors of the Company, whose names appear in the section "Administrative Information", are responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Board of Directors accepts responsibility accordingly.

#### **Board of Directors' Powers**

The Board of Directors is responsible for the Company's management and administration and has delegated its day-to-day management and administration to the Management Company in accordance with the Articles and the Management Company services agreement.

The Board of Directors is responsible for the overall investment policy, objectives and management of the Company and its Funds. The Board of Directors may authorise the creation of additional Funds in the future with different investment objectives, subject to the amendment of this Prospectus.

The Board of Directors may decide to offer or issue in any Fund any of the existing Share Class which terms and conditions are more fully described in the section "Share Classes" and "Investment Management Fees", including Alternative Currency Classes, Hedged Share Classes as well as Share Classes with different dividend policies. Investors will be informed of the issue of such Shares upon publication of the Net Asset Value per Share of such Share Class as described in the section "Publication of Share Prices".

If the total value of the Shares of any Fund is at any time below USD 50 million, or the equivalent thereof in the currency of the relevant Fund, or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned, the Board of Directors may decide to redeem all the Shares outstanding of such Fund. Notice of such redemption will be sent to the registered Investors by mail. The price at which Shares will be redeemed will be based on the net asset value per Share of such Fund determined upon realisation of all assets attributable to such Fund. Further details are provided in Appendix E.

The Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Prospectus.

Shares offered or in issue in the various Funds, classes and currencies are more fully described in the section "Share Classes".

The assets of each Fund are exclusively available to satisfy the rights of Shareholders and of creditors which have arisen in connection with the creation, operation or liquidation of that Fund. For the purpose of the relations as between Shareholders, each Fund will be deemed to be a separate entity.

The determination of the prices of Shares of each Fund may be suspended during a period when trading on a relevant stock exchange is substantially restricted or when other specified circumstances exist which make it impracticable to dispose of or value any of the Company's investments (see Appendix E). No Share may be issued, redeemed or switched during a period of suspension. A notice of any suspension shall be published, if appropriate, in such newspapers as the Board of Directors and/or the Management Company may from time to time determine.

The distribution of this Prospectus in some jurisdictions may require the translation of this Prospectus into the languages specified by the regulatory authorities of those jurisdictions. In case of inconsistency between the translated and the English version of this Prospectus, the English version shall prevail.

The Prospectus shall be kept up-to-date and shall be made available on the Internet site: <http://www.franklintempleton.lu>, may be found in the Internet site of the Franklin Templeton' Distributors or can be obtained free of charge and upon request at the registered office of the Company and the Management Company.

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## DEFINITIONS

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| "Accumulation Share"                         | a Share which accumulates the income attributable to a Share so that it is reflected in the increased value of that Share   |
| "Administrative Agent"                       | J.P. Morgan SE, Luxembourg Branch (the Legal successor of J.P. Morgan Bank Luxembourg S.A.), to whom the Management Company has delegated some of the administrative agency services in relation to the Company   |
| "Alternative Currency Class"                 | a Share Class in an alternative currency to the base currency of the Fund   |
| "Annual General Meeting"                     | the annual general meeting of Shareholders of the Company   |
| "Articles"                                   | the articles of incorporation of the Company as amended from time to time   |
| "Board of Directors"                         | the board of directors of the Company   |
| "Broker/Dealer"                              | financial intermediary or adviser   |
| "Business Day"                               | a day on which the banks in the relevant jurisdiction(s) are normally open for business   |
| "Commitment Approach"                        | an approach for measuring risk or " <b>Global Exposure</b> " that factors in the market risk of the investments held in a Fund, including risk associated with any Shariah-compliant Financial Derivative Instruments held by converting the Shariah-compliant Financial Derivative Instruments into Shariah-compliant equivalent positions in the underlying assets of those derivatives (sometimes referred to as " <b>notional exposure</b> "), after netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions. Global Exposure using the Commitment Approach is expressed as an absolute percentage of total net assets. Global exposure related solely to financial derivatives may not exceed 100% of total net assets, and global exposure overall (including market risk associated with the sub-funds' underlying investments, which by definition make up 100% of total net assets) may not exceed 200% of total net assets (excluding the 10% Shariah-compliant borrowing that the Company may borrow on a temporary basis for short-term liquidity) |
| "Company"                                    | Franklin Templeton Shariah Funds  |
| "Contingent Deferred Sales Charge" or "CDSC" | a fee imposed when shares are sold, typically during the first few years of ownership   |
| "Contract Note"                              | see sub-section " <b>Contract Note</b> " under section Investor General Information   |
| "CPF"  | Central Provident Fund  |
| "CPF Board"                                  | Central Provident Fund Board, a statutory body incorporated in Singapore and constituted under the Central Provident Fund Act   |
| "CPF Investor"                               | a purchaser of Shares in the Company using his CPF savings, subject to such terms and conditions set out in the Singapore prospectus and terms and conditions as may be imposed by the CPF Board from time to time  |
| "CSSF"                                       | <i>Commission de Surveillance du Secteur Financier</i> – the regulatory and supervisory authority of the Company in Luxembourg  |
| "Data Protection Officer"                    | a person appointed by the Management Company as a data protection officer in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC  |

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|-------------------------------|--|
| <b>"Depository Bank"</b>      | J.P. Morgan SE, Luxembourg Branch (the Legal successor of J.P. Morgan Bank Luxembourg S.A.), a Luxembourg-based bank, has been appointed by the Company as the Company's depository bank.  |
| <b>"Dealing Cut-Off Time"</b> | the time prior to which a transaction instruction must be received in order for the transaction to be processed at the current day's NAV as further described in Appendix A of this Prospectus   |
| <b>"Dealing Day"</b>          | any Valuation Day which is also a Business Day. Dealing Day restrictions in any jurisdiction may be obtained upon request  |
| <b>"Directors"</b>            | the members of the Board of Directors  |
| <b>"Distributor"</b>          | an entity or person duly appointed by the Management Company, acting as Principal Distributor, to distribute or arrange for the distribution of Shares   |
| <b>"Distribution Share"</b>   | a Share which normally distributes its net investment income, unless otherwise stated in the relevant Fund policy  |
| <b>"Emerging Markets"</b>     | countries whose economy, stock market, political situation and regulatory framework are not fully developed  |
| <b>"Equity Fund"</b>          | an Equity Fund's assets are mainly or solely invested in or exposed on equity securities issued by companies which are listed and traded on stock exchanges (equities). Equity Funds can either invest globally (global equity Funds) or be concentrated on specific countries (country-specific Funds), geographic regions (regional Funds) or sectors (sector-specific Funds)  |
| <b>"ETC"</b>                  | Exchange Traded Commodity  |
| <b>"ETF"</b>                  | Exchange Traded Fund   |
| <b>"EU"</b>                   | European Union   |
| <b>"FATCA"</b>                | Foreign Account Tax Compliance Act   |
| <b>"Fatwa"</b>                | a ruling concerning Shariah as issued by the Shariah Supervisory Board   |
| <b>"FFI"</b>                  | a Foreign Financial Institution as defined in FATCA  |
| <b>"Fixed Income Fund"</b>    | a Fixed Income Fund's assets are mainly or solely invested in or exposed to Shariah-compliant fixed income securities (including, but not limited to, Sukuk) which pay a fixed or variable return and which may be issued by companies, national or local governments and/or international organizations which are supported by several governments (such as the World Bank). Fixed Income Funds may invest globally or focus on a geographic region or country and may invest in Sukuk issued by different types of issuer or focus on just one (such as governments). The performance of Fixed Income Funds is often linked to broad economic factors and particularly any changes in interest rates |
| <b>"Franklin Templeton"</b>   | FRI and its subsidiaries and affiliates world-wide   |
| <b>"FRI"</b>                  | Franklin Resources Inc, One Franklin Parkway, San Mateo, California  |
| <b>"Fund"</b>                 | a distinct pool of assets and liabilities within the Company, distinguished mainly by its specific investment policy and objective as created from time to time  |
| <b>"Global Exposure"</b>      | refers to a measure of the risk exposure for a Fund that factors in the market risk exposure of underlying investments, as well as the incremental market risk exposure and implied leverage associated with Shariah-compliant Financial Derivative Instruments if and where held in the portfolio. The Funds measure risk exposure using  |

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|   | either a "Commitment Approach" or a "Value-at-Risk (VaR) Approach" – see separate definitions for these terms   |
| <b>"Hibah"</b>  | a gift or donation. Transfer of a determinate property without any material consideration   |
| <b>"Holding"</b>  | shares held in a single Share Class within the Investor's Portfolio   |
| <b>"Ijara"</b>  | Shariah-compliant leasing   |
| <b>"Institutional Investor"</b>                                     | as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority within the meaning of article 174 of the Law of 17 December 2010. Please refer to the section "Share Classes" for the list of qualifying Institutional Investors  |
| <b>"Investment Fund(s)"</b>   | a UCITS or other UCI in which the Funds may invest, as determined in the investment restrictions described in Appendix C  |
| <b>"Investment Managers"</b>  | companies appointed by the Management Company and which provide day-to-day management in respect of the investment and re-investment of the assets of the Funds   |
| <b>"Investor"</b>   | a purchaser of Shares in the Company either directly or through a distributor subscribing for Shares in its own name and on behalf of the relevant underlying purchaser of Shares in the Company  |
| <b>"Investor Portfolio" or sometimes referred to as "Portfolio"</b> | a portfolio of Holdings in the name of the registered Investor(s)   |
| <b>"Investor Portfolio Number"</b>                                  | personal number attributed to an Investor Portfolio upon acceptance of an application   |
| <b>"ISIN Code"</b>  | International Securities Identification Number that uniquely identifies a Fund / Share Class  |
| <b>"KID"</b>  | a key information document as defined in Regulation 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (" <b>PRIIPs</b> "). For the avoidance of any doubt and where relevant, the references to KID in this Prospectus shall be understood as references to Key Investor Information Document (" <b>KIID</b> ") within the meaning of article 159 of the Law of 17 December 2010         |
| <b>"Law of 17 December 2010"</b>                                    | Luxembourg Law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time  |
| <b>"mainly"</b>   | please refer to the "primarily" definition below  |
| <b>"Management Company"</b>   | Franklin Templeton International Services S.à r.l. or, where relevant, the members of the Management Company's board of managers  |
| <b>"Member State"</b>   | a Member State, as defined in the Law of 17 December 2010   |
| <b>"Multi-Asset Fund"</b>   | a Multi-Asset Fund typically invests in multiple types of assets, including but not limited to equities, fixed income securities, cash, real estate, commodities, etc. The proportion of a Multi-Asset Fund invested in each type of asset (the asset allocation) may be fixed for some Funds and flexible for others. Where the asset allocation is flexible, the Investment Manager(s) will make adjustments to the amount invested in each type of asset depending on its view of their future prospects |
| <b>"Mudharabah"</b>   | a Shariah-compliant partnership where a capital owner ( <i>Rab al Mal</i> ) and a manager ( <i>Mudarib</i> ) undertake a Shariah-compliant business or project  |
| <b>"Murabaha"</b>   | a contract referring to a sale and purchase transaction for the financing of an asset whereby the cost and profit margin (mark up) are made known and agreed to by all parties involved. The settlement for the purchase can be settled either on a deferred lump sum basis or on an instalment basis, and is specified in the agreement  |

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| <b>"Musawamah"</b>  | a sale contract without the disclosure of the asset cost price and profit margin to the purchaser  |
| <b>"Net Asset Value per Share" or "NAV"</b>                 | the value per Share of any Class of Share determined in accordance with the relevant provisions described under the heading "Determination of the Net Asset Value of Shares" as set out in Appendix E  |
| <b>"OECD"</b>   | Organisation for Economic Cooperation and Development  |
| <b>"Omnibus"</b>  | an institution which holds assets within an account or holding for a number of underlying Investors  |
| <b>"Perpetual securities"</b>                               | sukuk securities with no maturity date, excluding for the avoidance of any doubt, contingent convertible securities  |
| <b>"primarily" or "principally" or "mainly"</b>             | when a Fund investment policy states that investments will be made "primarily" or "principally" or "mainly" in a particular type of security, or in a particular country, region or industry, it generally means that at least two-thirds of this Fund's total assets (without taking into account ancillary liquid assets) shall be invested into such security, country, region or industry  |
| <b>"Principal Distributor"</b>                              | the Management Company acting as principal distributor of the Company  |
| <b>"Prohibited Persons"</b>                                 | any US Person and/or any person, firm or corporate body, in the opinion of the Company, having holding that may be detrimental to the Company or its Shareholders, and which may result in a breach of any applicable law or regulations whether Luxembourg or foreign or may expose the Company or its Shareholders to liabilities (to include, inter alia, regulatory or tax liabilities and any other tax liabilities that might derive, inter alia, from any breach of FATCA requirements) or any other disadvantages that it or they would not have otherwise incurred or been exposed to   |
| <b>"Purchase"</b>   | when the Prospectus states "purchase" or "how to purchase shares", it generally refers to a subscription of Shares   |
| <b>"Registrar and Transfer Agent"</b>                       | Virtus Partners Fund Services Luxembourg S.à.r.l, to whom the Management Company has delegated the registrar and transfer agency services in relation to the Company   |
| <b>"REIT"</b>   | An entity that is dedicated to owning, and in most cases, managing, real estate. This may include, but is not limited to, real estate in the residential (apartments), commercial (shopping centres, offices) and industrial (factories, warehouses) sectors. Certain REITs may also engage in real estate financing transactions and other real estate development activities. The legal structure of a REIT, its investment restrictions and the regulatory and taxation regimes to which it is subject will differ depending on the jurisdiction in which it is established. Investment in REITs will be allowed if they qualify as transferable securities. A closed-ended REIT, the units of which are listed on a regulated market is classified as a transferable security listed on a regulated market thereby qualifying as an eligible investment for a UCITS under the Luxembourg law |
| <b>"RMB"</b>  | the official currency of mainland China – to be read as a reference to onshore Renminbi (CNY) and/or offshore Renminbi (CNH) as the context requires   |
| <b>"sale" or "to sell"</b>                                  | when the prospectus states "a sale" of shares or "how to sell shares", it generally refers to a redemption of Shares   |
| <b>"SFDR"</b>   | Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector   |
| <b>"Shariah-compliant Financial Derivative Instruments"</b> | financial instruments whose value is derived from the performance of an underlying asset or benchmark, and which are structured and executed in a manner consistent with the principles of Shariah. These instruments must comply with the requirements of the Company's Shariah Supervisory Board and applicable Shariah standards  |
| <b>"SICAV"</b>  | Société d'Investissement à Capital Variable  |

|   |   |
|---|---|
| <b>"Share"</b>                              | a Share of any Share Class in the capital of the Company  |
| <b>"Share Class"</b>                        | a class of Shares with a specific fee structure, currency of denomination or other specific feature   |
| <b>"Shareholder"</b>                        | a holder of Shares in the Company   |
| <b>"Shariah"</b>                            | the principles, precepts and tenets of Islam derived principally from the Holy Qur'an and from the teachings and examples of the Holy Prophet Muhammad (peace be upon Him) as interpreted by the Shariah Supervisory Board  |
| <b>"Shariah-compliant"</b>                  | investment products that comply to the requirements of Shariah principles as interpreted by the Shariah Supervisory Board   |
| <b>"Shariah Guidelines"</b>                 | the investment guidelines established and confirmed by the Shariah Supervisory Board as compliant with the Shariah principles and set out in Appendix B   |
| <b>"Shariah Supervisory Board" or "SSB"</b> | a board comprising four eminent Islamic scholars responsible for approving the Shariah Guidelines and confirming the compliance of the Fund's investments and accounting standards with the Shariah principles  |
| <b>"Shariah Screening Provider"</b>         | IdealRatings, Inc. has been appointed as the Company's Shariah screening provider, in charge of the screening of the securities held by the Funds of the Company  |
| <b>"Sub-adviser"</b>                        | a company which provides non-discretionary investment advisory services and related research services to the Investment Manager(s) in respect of the assets of the Fund(s)  |
| <b>"Sukuk" (plural of "Sakk")</b>           | Islamic fixed-income securities that comply with Shariah and where the holder owns an undivided exposure over an underlying asset   |
| <b>"Sukuk al-Ijara"</b>                     | a securities issuance where the underlying transaction between the issuer and the obligor involves a lease of tangible or intangible property   |
| <b>"Sukuk al-Wakala"</b>                    | trust certificates that are issued by a party in order to raise capital to acquire or invest in Shariah-compliant assets, goods, or services. These sukuk provide sukuk-holders with ownership of or equity participation in the underlying assets, goods, or services. These acquisitions or investments are then entrusted to an agent (wakeel) for management on behalf of the issuer and sukuk-holders. The sukuk-holders take the risk of the acquisitions and investments and are entitled to any profits generated from them   |
| <b>"Sum of Notionals"</b>                   | <p>a measure of the level of leverage as calculated by taking the sum of notionals of all Shariah-compliant financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's Net Asset Value. The Global Exposure of the underlying investments (i.e. 100% of Global Exposure represented by actual assets) is not included in the calculation, only the incremental Global Exposure from the financial derivative contracts being taken into account for the purpose of calculation of the Sum of Notionals.</p> <p>This methodology does not:</p> <ul style="list-style-type: none"> <li>- make a distinction between Shariah-compliant Financial Derivative Instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund;</li> <li>- allow the netting of derivative positions. As a result, derivative roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk;</li> <li>- take into account the derivative underlying assets' volatility or make a distinction between short-dated &amp; long-dated assets;</li> </ul> |

- consider the delta for option contracts, so there is no adjustment for the likelihood that any option contract will be exercised. As a result, a Fund that has out of the money option contracts that are not likely to be exercised will appear to have the same leverage as a Fund with comparable figures for sum of notionals where the option contracts are in the money and are likely to be exercised, even though the potential leveraging effect of out of the money options tends to increase as the price of the underlying asset approaches the strike price, then tends to dissipate as the price of the underlying rises further and the contract goes deep into the money

|                                       |  |
|---------------------------------------|--|
| <b>"Taxonomy Regulation"</b>          | Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as may be amended from time to time   |
| <b>"Third Party Payment"</b>          | payments received from, or made by/to, a party other than the registered Investor  |
| <b>"UCI" or "other UCI"</b>           | Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point a) and b) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended  |
| <b>"UCITS"</b>                        | Undertaking for Collective Investment in Transferable Securities authorised according to Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards depositary functions, remuneration policies and sanctions  |
| <b>"USA" or "US"</b>                  | United States of America   |
| <b>"US Person"</b>                    | shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations  |
| <b>"Valuation Day"</b>                | any such day as set out in the relevant Fund's specific information sub-section. Further information on the applicable Valuation Days for the Funds can be found on the website: <a href="http://www.franklintempleton.lu">http://www.franklintempleton.lu</a>   |
| <b>"Value-at-Risk (VaR) Approach"</b> | an approach for measuring risk or "Global Exposure" based on Value-at-Risk or VaR, which is a measure of the maximum potential loss that can arise at a given confidence level (i.e. probability) over a specific time period under normal market conditions. VaR may be expressed in absolute terms as a currency amount specific to a portfolio, or as a percentage when the currency amount is divided by total net assets. VaR may also be expressed in relative terms, where the VaR of the Fund (expressed in percentage terms) is divided by the VaR of its relevant benchmark (also expressed in percentage terms), generating a ratio known as relative VaR. Under Luxembourg Law, absolute VaR limits are currently 20% of total net assets and relative VaR limits are currently twice or 200% of the benchmark VaR |
| <b>"Wa'd"</b>                         | a unilateral promise made by one person to another to undertake a certain action or verbal disposal beneficial to the other party  |
| <b>"Wakala"</b>                       | an agency agreement where one person appoints another person to perform a task on his behalf   |
| <b>"Zakat"</b>                        | an obligation under Shariah to pay a certain amount on wealth above a specified minimum for defined beneficiaries  |

All references herein to time are to Central European time (CET) unless otherwise indicated.  
Words importing the singular shall, where the context permits, include the plural and vice versa.

## **ADMINISTRATIVE INFORMATION**

### **BOARD OF DIRECTORS OF THE COMPANY**

#### **CHAIRMAN:**

A. Craig Blair  
Manager, Conducting Officer, Country Head Luxembourg  
Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

#### **DIRECTORS:**

Caroline Carroll  
Head of Client Experience EMEA  
Franklin Templeton Investment Management Limited  
Cannon Place,  
78 Cannon Street,  
London, EC4N 6HL  
United Kingdom

William Jackson  
Non-executive Director  
2 St Clair Terrace  
Edinburgh EH10 5NW, Scotland  
United Kingdom

Katarzyna Majchrzak  
Business and Operations Director  
Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

### **MANAGEMENT COMPANY**

Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

### **BOARD OF MANAGERS OF THE MANAGEMENT COMPANY**

A. Craig Blair  
Conducting Officer, Country Head Luxembourg  
Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

Bérengère Blaszczyk  
Head of distribution France, Benelux & Nordics  
Franklin Templeton International Services S.à r.l.  
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L-1246 Luxembourg  
Grand Duchy of Luxembourg

William Jackson  
Non-executive Manager  
2 St Clair Terrace  
Edinburgh, EH10 5NW, Scotland  
United Kingdom

Jaspal Sagger  
Global Head of Product  
Franklin Templeton Investment Management Limited  
Cannon Place 78 Cannon Street  
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United Kingdom

Gwen Shaneyfelt  
Executive Vice President  
Franklin Resources, Inc.  
One Franklin Parkway  
San Mateo  
CA 94403-1906  
United States of America

Jane Elizabeth Trust  
Senior Vice President  
Legg Mason&Co, LLC  
100 International Drive, Baltimore, MD 21202  
United States of America

Alastair Edward Charles Woodward  
(Independent Manager)  
Pharos Advisory S.à r.l.  
45, rue Camille Polfer  
L-2359 Luxembourg  
Grand Duchy of Luxembourg

**CONDUCTING OFFICERS OF THE MANAGEMENT COMPANY:**

A. Craig Blair  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Olga Frenkel  
Franklin Templeton International Services S.à r.l.  
Luxembourg

John Hosie  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Rafal Kwasny  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Anisa Kyriakou  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Maxime Lina  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Marius Nechifor  
Franklin Templeton International Services S.à r.l.  
Luxembourg

Daniel Scire  
Franklin Templeton International Services S.à r.l., German Branch  
Germany

**SHARIAH SUPERVISORY BOARD:**

AMANIE ADVISORS SDN BHD  
Level 13A-2  
Menara Tokio Marine Life  
189, Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia

- Dr. Mohamed Ali Elgari
- Dr. Muhammad Amin Ali Qattan
- Dr. Mohd Daud Bakar
- Dr. Osama Al Dereai



**SHARIAH SCREENING PROVIDER:**

IdealRatings, Inc.  
425 Market Street  
Suite 2200  
San Francisco, CA, 94105  
United States of America

**INVESTMENT MANAGERS:**

FRANKLIN ADVISERS, INC.  
One Franklin Parkway  
San Mateo, CA 94403 - 1906  
USA

FRANKLIN TEMPLETON INVESTMENTS (ASIA) LIMITED  
62/F, Two International Finance Centre  
No. 8 Finance Street Central  
Hong Kong

FRANKLIN TEMPLETON INVESTMENTS (ME) LIMITED  
The Gate, East Wing, Level 2  
Dubai International Financial Centre  
P.O. Box 506613, Dubai  
United Arab Emirates

TEMPLETON ASSET MANAGEMENT LTD  
7 Temasek Boulevard  
#38-03 Suntec Tower One (as from 1 September 2025, the new address will be: #26-03 Suntec Tower One)  
Singapore 038987

TEMPLETON GLOBAL ADVISORS LIMITED  
P.O. Box N-7759  
Lyford Cay  
Nassau  
Bahamas

**SUB-ADVISER:**

FRANKLIN TEMPLETON GSC ASSET MANAGEMENT Sdn. Bhd.  
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Malaysia

**ADMINISTRATIVE AGENT:**

J.P. MORGAN SE, LUXEMBOURG BRANCH  
European Bank & Business Centre  
6C, route de Trèves  
L-2633 Senningerberg  
Grand Duchy of Luxembourg

**REGISTRAR AND TRANSFER AGENT:**

VIRTUS PARTNERS FUND SERVICES LUXEMBOURG S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

**PRINCIPAL DISTRIBUTOR:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.  
8A, rue Albert Borschette  
L-1246 Luxembourg  
Grand Duchy of Luxembourg

**TAIWAN MASTER AGENT:**

FRANKLIN/TEMPLETON SECURITIES INVESTMENT CONSULTING (SINOAM) INC.  
8F, #87, Sec. 4  
Chung Hsiao E. Road  
Taipei  
Taiwan, R.O.C.

**DEPOSITARY BANK:**

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European Bank & Business Centre  
6C, route de Trèves  
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Grand Duchy of Luxembourg

**AUDITOR:**

PRICEWATERHOUSECOOPERS *Société Coopérative*  
2, rue Gerhard Mercator  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISER:**

ELVINGER HOSS PRUSSEN, *société anonyme*  
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L-1340 Luxembourg  
Grand Duchy of Luxembourg

**LOCAL PAYING AGENTS:**

**in France:**

CACEIS Bank  
89-91, rue Gabriel Péri  
92120 Montrouge

**in Switzerland:**

NPB New Private Bank Ltd.  
Limmatquai 1/am Bellevue  
P.O. Box  
8022 Zurich

**FACILITIES AGENT:**

**in the United Kingdom:**

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED  
Cannon Place,  
78 Cannon Street,  
London, EC4N 6HL  
United Kingdom

**REGISTRAR AND TRANSFER AGENT:**

**Contact Details:**

Tel: + 352 27 94 0990

Fax: +352 342 080 9861

E-mail: service.Lux.franklintempleton@fisglobal.com

## **FUND INFORMATION OBJECTIVES AND INVESTMENT POLICIES**

The Company aims to provide Investors with a choice of Funds which invest in a wide range of Shariah-compliant transferable securities and other Shariah-compliant eligible assets on a worldwide basis and which feature a diverse array of investment objectives including capital growth and income. The overall objective of the Company is to seek to minimise investment risk exposure through diversification and to provide Investors with the benefit of a portfolio managed by entities of Franklin Templeton according to its successful time-tested investment selection methods.

As more fully disclosed in Appendix E, a Fund shall be solely liable for its own assets and liabilities.

Each Fund may invest in Shariah-compliant "when-issued" securities, and seek financing, all within the limits of the Company's investment restrictions and the Shariah Guidelines.

Further, subject to the limits set forth in the investment restrictions and the Shariah Guidelines, the Company may with respect to each Fund invest in Shariah-compliant Financial Derivative Instruments provided that (a) these are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost or (iii) generation of additional capital gain or income with a level of risk which is consistent with the risk profile of the relevant Fund and the risk diversification requirements set forth in Appendix C of this Prospectus, and (c) the risks are adequately captured by the risk management process applicable to the Company. Shariah-compliant Financial Derivative Instruments may include foreign exchange forwards and profit rate swaps.

When a Fund's investment policy states that investments will be made "primarily" or "principally" or "mainly" in a particular type of security, or in a particular country, region or industry, it generally means that at least two-thirds of this Fund's total assets (without taking into account ancillary liquid assets) shall be invested into such security, country, region or industry.

Each Fund may hold ancillary liquid assets (i.e. bank deposits at sight, such as cash held in current accounts with a bank accessible at any time) up to 20% of its net assets in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. On a temporary basis and if justified by exceptionally unfavourable market conditions, each Fund may, in order to take measures to mitigate risks relative to such exceptional market conditions in the best interests of its shareholders, hold ancillary liquid assets up to 100% of its net assets.

Each Fund may also, in order to achieve its investment goals and for treasury purposes, invest in Shariah-compliant bank deposits, Islamic money market instruments and/or Islamic money market funds pursuant to the applicable investment restrictions. For defensive purposes, the Fund may invest up to 100% of its net assets in these Shariah-compliant instruments on a temporary basis.

When a Fund may invest in Shariah-compliant total return swaps or other Shariah-compliant Financial Derivative Instruments with similar characteristics, the underlying assets and investment strategies to which exposure will be gained are described in the relevant Fund's investment policy.

The investment objectives and policies described below are binding on the Management Company and the respective Investment Managers of the Funds and are subject to their compliance with Shariah Guidelines.

## **SUSTAINABLE INVESTMENTS**

The Management Company has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. The Management Company and/or Investment Manager(s) integrate sustainability risks and opportunities into their research, analysis and investment decision-making processes.

Sustainability risk, as further described in the "Risk Considerations" section, means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of a Fund's investment. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks.

Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. All Funds of the Company do currently integrate sustainability risk in their investment decision-making process. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/or portfolio composition. The Management Company and/or relevant Investment Manager(s) make use of specific methodologies and databases into which environmental, social, and governance (ESG) data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the Management Company and/or the relevant Investment Manager's models, there may be a sudden, material negative impact on the value of an investment, and hence on the Net Asset Value of the Fund. Such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the Net Asset Value of the Fund.

Unless otherwise stated in a Fund's specific information below, the investments underlying a Fund do not take into account the EU criteria for environmentally sustainable economic activities, including enabling or transitional activities, within the meaning of the Taxonomy Regulation.

## FRANKLIN GLOBAL SUKUK FUND

### Asset Class

Fixed Income Fund (Shariah-compliant securities)

### Base Currency

US dollar (USD)

### Valuation Day

A day on which the New York Stock Exchange is open for normal business (other than during a suspension of normal dealing), further information on the applicable Valuation Days for the Fund can be found on the website: <http://www.franklintempleton.lu>.

### Investment Objective

To maximise, consistent with prudent investment management, total investment return, consisting of a combination of profit income and capital appreciation

### Investment Policy

The Fund seeks to achieve this objective by investing principally in a portfolio of fixed- and floating-rate Shariah-compliant securities (including non-investment grade securities), issued by government, government-related and corporate entities located in developed and developing countries.

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, in accordance with its investment policy and the Shariah Guidelines, invest in Shariah-compliant securities or Shariah-compliant Financial Derivative Instruments for hedging, efficient portfolio management and/or investment purposes in which the underlying security is linked to or derives its value from a distinct security, asset, commodity or currency of any nation. These financial derivative instruments include but are not limited to Shariah-compliant swaps (including but not limited to profit rate swaps, credit default swaps or total return swaps), as well as Shariah-compliant currency forwards, and other over the counter (OTC) Shariah-compliant hedging instruments. The Fund may invest in Sukuk instruments issued by any corporate, sovereign, or supranational entity, and may be backed by or derive its value from any asset, tangible or otherwise, including home financing. For the purpose of this Fund, Sukuk may include contingent convertible securities, subject to a maximum of 10% of the Fund's net assets. The Fund may also invest in short term instruments including Murabaha placements and up to 20% of its net assets in Shariah-compliant credit linked notes or structured products.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. The Fund may purchase securities denominated in any currency.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

### Exposure to Shariah-compliant total return swaps

The expected level of exposure that could be subject to Shariah-compliant total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

### Investor Profile

- Seeking to maximise total investment return consisting of profit income and capital appreciation.
- Planning to hold their investment for the medium to long term.

### Risk Considerations

Please refer to the section "Risk Considerations" for a full description of the risks listed below.

Principal risks to the Fund's investment strategy:

- Credit risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Shariah Compliance risk
- Sukuk Investment risk

Other risks that may be relevant to the Fund:

- Convertible and Hybrid Securities risk
- Counterparty risk
- Derivative Instruments risk
- Dividend Policy risk
- Frontier Markets risk
- Fixed Income Securities risk
- Legal and Regulatory risk
- Market risk
- Restructuring Companies risk
- Settlement Default risk
- Structured Notes risk

**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager**

Franklin Templeton Investments (ME) Ltd.

**Sub-adviser**

Franklin Templeton GSC Asset Management Sdn. Bhd.

**Fees Disclosures**

Please refer to Appendix F for a full description of the fees.

**Benchmark Disclosure**

Please refer to Appendix G for a description of the benchmark disclosure relating to the Fund.

**FRANKLIN SHARIAH GLOBAL MULTI-ASSET INCOME FUND****Asset Class**

Multi-Asset (Shariah-compliant securities and Sukuk)

**Base Currency**

US dollar (USD)

**Valuation Day**

A day on which the New York Stock Exchange is open for normal business (other than during a suspension of normal dealing), further information on the applicable Valuation Days for the Fund can be found on the website: <http://www.franklintempleton.lu>.

**Investment Objectives**

The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

**Investment Policy**

The Fund will primarily invest in a diversified portfolio of Shariah-compliant equity and fixed income securities (including non-investment grade securities) issued by government, government-related and corporate entities located in developed, developing and emerging countries. The Fund also has the ability to invest in Shariah-compliant "alternatives". The Fund may shift its investments from one asset class to another based on the Investment Managers' analysis of the market environment.

Shariah-compliant equity securities generally entitle the holder to participate in a company's general operating results. The Fund also invests in American and Global Depositary Receipts. These are certificates issued typically by a bank or a trust company that give their holders the right to receive securities issued by a foreign or domestic company. Depositary Receipts do not eliminate currency and economic risks for underlying shares of a company operating in another country. Shariah-compliant equity securities may also include securities of restructuring companies to a maximum of 5% of the Fund's net assets. Under normal market conditions, the Fund will have no more than 75% net long exposure directly or indirectly to equity and equity-related securities. Exposure will be determined on a net basis, taking the combined value of long and short exposures. Gross absolute exposure to equities may therefore exceed 75%.

In relation to the fixed income securities, the Fund may invest in Sukuk issued by any corporate, sovereign, or supranational entity which may be backed by or derive its value from any asset, tangible or otherwise, including home financing. For the purpose of this Fund, Sukuk may include distressed and defaulted fixed income securities issued by governments and corporations subject to a maximum, in aggregate, of 10% of the Fund's net assets as well as (i) contingent convertible securities and (ii) hybrid Sukuk each subject to a maximum of 5% of the Fund's net assets. The Fund may also invest up to 4% of its net assets in private placement securities (including but not limited to investments made through Shariah-compliant structures that are (1) cash financing through underlying commodity trades via Murabaha transactions; (2) cash and warrants through underlying Shariah-compliant cost plus profit financing in the form of Murabaha, and spot commodity based arrangements utilising Musawamah transactions; (3) cash and profit participations through underlying Murabaha and Musawamah transactions; (4) Ijara (lease) financing solutions through asset-backed transactions; and/or (5) direct or structured investments, including asset-backed securities and participation notes, with or without one of more of the foregoing investment mechanisms). The Fund's exposure to non-investment grade fixed income securities, including high yield securities issued by governments and corporations will not exceed 20% of the Fund's total net assets. The Fund may invest in short term instruments including Murabaha placements and up to 20% of its net assets in Sharia-compliant credit linked securities including (i) Shariah-compliant credit linked notes or (ii) structured products (including but not limited to equity and commodity linked notes).

The Fund may also invest in Shariah-compliant "alternative" asset classes, including direct or indirect investment in real-estate securities (including closed-ended real estate investment trusts or "REITs") and indirect investment in commodities via ETCs. Under normal market conditions, the Fund will have no more than 10% aggregate net exposure to "alternative" asset classes.

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, in accordance with its investment policy and the Shariah Guidelines, invest in Shariah-compliant securities or Shariah-compliant Financial Derivative Instruments for hedging, efficient portfolio management and/or investment purposes in which the underlying security is linked to or derives its value from a distinct security, asset, commodity or currency of any nation. These financial derivative instruments include but are not limited to Sharia-compliant swaps (including but not limited to profit rate swaps, credit default swaps or fixed-income total return swaps), Sharia-compliant currency forwards, other Sharia-compliant over the counter (OTC) instruments, Shariah-compliant equity linked notes as well as Shariah-compliant options.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

The Fund may also invest up to 10% of its net assets in Shariah-compliant units of UCITS and other Shariah-compliant UCIs (including ETFs and units providing exposure to equities).

The Fund may invest in aggregate up to 10% of its net assets in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

#### **Exposure to Shariah-compliant total return swaps**

The expected level of exposure that could be subject to Shariah-compliant total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%.

#### **Investor Profile**

Considering the investment objectives, as stated above, the Fund may appeal to:

- income and prospects of some capital appreciation by accessing a portfolio of both equity and fixed income securities via a single fund
- invest for the medium to long term

#### **Risk Considerations**

Please refer to the section "**Risk Considerations**" for a full description of the risks listed below.

Principal risks to the Fund's investment strategy:

- Counterparty risk
- Credit risk
- Fixed Income Securities risk
- Derivative Instruments risk
- Foreign Currency risk
- Market risk
- Shariah Compliance risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Class Hedging risk
- Convertible and Hybrid Securities risk
- Dividend Policy risk
- Distressed Securities risk
- Emerging Markets risk
- Liquidity risk
- Real Assets risk
- Restructuring Companies risk
- Shanghai-Hong Kong Stock Connect risk and Shenzhen-Hong Kong Stock Connect risk
- Swap Agreements risk

#### **Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

#### **Investment Manager(s)**

Franklin Templeton International Services S.à r.l. and Franklin Templeton Investment (ME) Ltd.

#### **Fees Disclosures**

Please refer to Appendix F for a full description of the fees.

#### **Benchmark Disclosure**

Please refer to Appendix G for a description of the benchmark disclosure relating to the Fund.

## FRANKLIN SHARIAH TECHNOLOGY FUND

### Asset Class

Equity Fund (Shariah-compliant global equities)

### Base Currency

US dollar (USD)

### Valuation Day

A day on which the New York Stock Exchange is open for normal business (other than during a suspension of normal dealing), further information on the applicable Valuation Days for the Fund can be found on the website: <http://www.franklintempleton.lu>.

### Investment Objectives

The Fund's investment objective is capital appreciation.

### Investment Policy

Subject to the Shariah Guidelines, the Fund invests at least two thirds of its net invested assets in Shariah-compliant equity securities of US and non-US companies expected to benefit from the development, advancement, and use of technology and communication services and equipment. These may include, for example, companies in the following industries:

- communication and computing related outsourcing services;
- technology services, including computer software, data services, and Internet services;
- electronic technology, including computers, computer products, and electronic components;
- telecommunications, including networking, wireless, and wire-line services and equipment;
- media and information services, including the distribution of information and content providers;
- semiconductors and semiconductor equipment; and
- precision instruments.

The Fund invests in Shariah-compliant securities of US and non-US large, well-established companies, as well as small to medium-sized companies, that the Investment Manager believes provide good emerging growth opportunities.

The Fund may also, in accordance with the Shariah Guidelines, invest in Shariah-compliant equity or fixed income securities of any type of foreign or US issuer as well as in American, European or Global Depositary Receipts and REITs.

The Fund may invest up to 15% of its net assets in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

The Fund uses a growth approach that employs intensive, bottom-up, fundamental research of companies. The Investment Manager also takes into consideration broad-based trends when considering the selection of investments. In general, the Investment Manager looks for companies it believes display, or will display, some of the following characteristics, among others: quality management; robust growth prospects; strong market positioning; high, or rising profit margins; and good return on capital investment.

### Investor Profile

Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to:

- capital appreciation by investing in equity securities
- a growth investment in the technology sector in the US and around the world
- invest for the medium to long term

### Risk Considerations

Principal risks to the Fund's investment strategy:

- Concentration risk
- Market risk
- Shariah Compliance risk

Other risks that may be relevant to the Fund:

- Counterparty risk
- Chinese Market risk
- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Real Assets risk
- Smaller and Midsize Companies risk

### Global Exposure

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Franklin Advisers, Inc.

**Fees Disclosures**

Please refer to Appendix F for a full description of the fees.

**Benchmark Disclosure**

Please refer to Appendix G for a description of the benchmark disclosure relating to the Fund.

**TEMPLETON SHARIAH GLOBAL EQUITY FUND<sup>1</sup>****Asset Class**

Equity Fund (Shariah-compliant global equities)

**Base Currency**

US dollar (USD)

**Valuation Day**

A day on which the New York Stock Exchange is open for normal business (other than during a suspension of normal dealing), further information on the applicable Valuation Days for the Fund can be found on the website: <http://www.franklintempleton.lu>.

**Investment Objective**

Capital appreciation

**Investment Policy**

The Fund invests principally in Shariah-compliant equity and equity-related securities including common stocks of companies located anywhere in the world, including Emerging Markets.

Shariah-compliant equity securities generally entitle the holder to participate in a company's general operating results. The Fund also invests in American, European, and global depository receipts. These are certificates issued typically by a bank or a trust company that give their holders the right to receive securities issued by a foreign or domestic company. Depository receipts do not eliminate currency and economic risks for underlying shares of a company operating in another country.

Depending upon current market conditions, the Fund may also invest up to 25% of its net assets in Shariah-compliant fixed-income securities of companies and governments located anywhere in the world or short term instruments. These include Sukuk, any other Shariah-compliant fixed-income securities and Murabaha placements.

In choosing equity and equity-related investments, the Investment Managers focus on the market price of a company's securities relative to its evaluation of the company's long-term earnings, asset value and cash flow potential, as well as on other measures that the Investment Managers deem appropriate to determine a company's value.

The Fund may also invest (i) in REITs and (ii) up to 10% of its net assets in China A-Shares (through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect) and in China B-Shares.

**Investor Profile**

- Seeking capital appreciation by investing in undervalued securities in a well-diversified global equity fund.
- Planning to hold their investment for the medium to long term.

**Risk Considerations**

Please refer to the section "Risk Considerations" for a full description of the risks listed below.

Principal risks to the Fund's investment strategy:

- Emerging Markets risk
- Foreign Currency risk
- Liquidity risk
- Shariah Compliance risk

Other risks that may be relevant to the Fund:

- Chinese Market risk
- Counterparty risk
- Europe and Eurozone risk
- Market risk
- Shanghai-Hong Kong Stock Connect risk and Shenzhen-Hong Kong Stock Connect risk
- Real Assets risk
- Value Stocks risk

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<sup>1</sup> The Investment Managers of the Fund will not use any financial derivative instruments.



**Global Exposure**

The Commitment Approach is used to calculate the Global Exposure of the Fund.

**Investment Manager(s)**

Templeton Asset Management Ltd., Franklin Templeton Investments (Asia) Limited and Templeton Global Advisors Limited

**Fees Disclosures**

Please refer to Appendix F for a full description of the fees.

**Benchmark Disclosure**

Please refer to Appendix G for a description of the benchmark disclosure relating to the Fund.

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**RISK CONSIDERATIONS**

Investors must read this "Risk Considerations" section before investing in any of the Funds.

The value of the Shares will increase as the value of the securities owned by any Fund increases and will decrease as the value of the Fund's investments decreases. In this way, Investors participate in any change in the value of the securities owned by the relevant Fund(s). In addition to the factors that affect the value of any particular security that a Fund owns, the value of the Fund's Shares may also change with movements in the stock and Sukuk markets as a whole.

A Fund may own securities of different types, or from different Shariah-compliant asset classes – equities, fixed-income securities (including Sukuk), Shariah-compliant money market instruments, derivatives – depending on the Fund's investment objective.

Different investments have different types of investment risk. The Funds also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risk that may be applicable to the Funds. Please refer to the section "Fund Information, Objectives and Investment Policies" of this Prospectus as well as to the relevant KIDs for details as to the principal risks applicable to each Fund. Investors should be aware that other risks may also be relevant to the Funds from time to time.

**General**

This section explains some of the risks that apply to all the Funds. It does not purport to be a complete explanation and other risks may also be relevant from time to time. In particular, the Company's performance may be affected by changes in market and/or economic and political conditions, and in legal, regulatory and tax requirements. No guarantee or representation is made that the investment program will be successful and there can be no assurance that the Fund(s)' investment objective(s) will be attained. Also, past performance is no guide to future performance, and the value of investments may go down as well as up. Changes in rates of exchange between currencies may cause the value of a Fund's investments to diminish or increase.

The Company or any of its Funds may be exposed to risks that are outside of their control – for example legal and regulatory risks from investments in countries with unclear and changing laws or the lack of established or effective avenues for legal redress or as a result of the registration of the Funds in non-EU jurisdictions, the Funds may be subject, without any notice to the shareholders in the Funds concerned, to more restrictive regulatory regimes potentially preventing the Funds from making the fullest possible use of the investment limits. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse. The Funds may be exposed to the risk of terrorist actions, to the risk that economic and diplomatic sanctions may be in place or imposed on certain States and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. Investors are reminded that in certain circumstances their right to redeem Shares may be suspended as further described in Appendix E.

The Company or any of its Funds may be exposed to operational risks, being the risk that operational processes, including those related to the safekeeping of assets, valuation and transaction processing may fail, resulting in losses. Potential causes of failure may arise from human errors, physical and electronic system failures and other business execution risks as well as external events.

**Chinese Market Risk**

Risks associated with the Chinese Market are similar to the "Emerging Markets risk" and "Geopolitical risk" described below. Such risks include:

- (i) currency devaluations and other currency exchange rate fluctuations;
- (ii) economic, legal, political or social instability and uncertainty;
- (iii) more substantial government involvement in the economy; and
- (iv) an economy that is heavily reliant on particular industries, commodities or trading partners.

In recent years, political tensions within Hong Kong have risen. Such increased political tensions could have potential impacts on the political and legal structures in Hong Kong. They could also affect investor and business confidence in Hong Kong which in turn could affect markets and business results.

In addition, the ongoing geopolitical tensions between China and other countries including the United States may result in tariffs, investment restrictions and have adverse impacts on affected companies and investments. For example, the United States has imposed tariffs and other trade barriers on Chinese exports, has restricted sales of certain categories of goods to China, and has established barriers to investments in China. Trade disputes may adversely affect the economies of the United States and its trading partners, as well as companies directly or indirectly affected and financial markets generally.

Accordingly, investors should be aware that these risks, ongoing geopolitical tensions (including trade disputes) and possible future restrictions could limit the Fund's opportunities for investment, affect the investments' performance, require the sale of investments at a loss and/or make them difficult to sell.

Funds investing in China may be subject to other specific risks such as "Shanghai-Hong Kong Stock Connect risk and Shenzhen-Hong Kong Stock Connect Risk" described below.

### **Class Hedging Risk**

The Company may engage in currency hedging transactions with regard to a certain Share Class (the "**Hedged Share Class**"). Hedging transactions are designed to reduce as much as possible the currency risk for investors.

Any Shariah-compliant financial instruments used to implement such hedging strategies with respect to one or more Classes of a Fund shall be assets and/or liabilities of such Fund as a whole, but will be attributable to the relevant Share Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Share Class. Any currency exposure of a Share Class may not be combined with or offset against that of any other Share Class of a Fund. The currency exposure of the assets attributable to a Share Class may not be allocated to other Share Classes. No intentional leveraging should result from currency hedging transactions of a Share Class although hedging may exceed 100% by a small margin (as further detailed in the Hedged Share Classes sub-section) as in the case of a net investment flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

There is no guarantee that attempts to hedge currency risk will be successful and no hedging strategy can eliminate currency risk entirely. Should a hedging strategy be incomplete or unsuccessful, the value of that Fund's assets and income can remain vulnerable to fluctuations in currency exchange rate movements.

In the case of a net flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the Net Asset Value of the Hedged Share Class until the following or a subsequent Business Day following the Valuation Day on which the instruction was accepted.

Investors should be aware that there may be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the relevant Fund. The gains/losses on and the costs of such hedging transactions will accrue solely to the relevant Hedged Share Class.

This risk for holders of any Hedged Share Class may be mitigated by using any of the efficient portfolio management techniques and instruments, (including Wa'd (unilateral promise) structured currency options, forward currency contracts, currency futures and currency swaps on a spot basis or any other Shariah-compliant hedging instrument) within the conditions and limits imposed by the Luxembourg financial supervisory authority.

Additionally, Investors of the Hedged Share Class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the associated transactions costs of the relevant financial instruments used to implement the hedging strategy. The gains/losses on and the transactions costs of the relevant financial instruments will accrue solely to the relevant Hedged Share Class.

More details as to the rules governing allocation of assets and liabilities at a Share Class level are contained in Appendix E.

### **Concentration risk**

Some Funds may have an investment policy which specifically states an intention to maintain a portfolio with holdings in a relatively limited number of issuers or a concentrated allocation to a given economic sector, market segment or geographical area. By being less diversified, such Funds may be more volatile than broadly diversified Funds, or may be exposed to greater risk since under performance of one or a few positions, sectors or geographical areas will have a greater impact on the Funds' assets. The relevant Funds may be adversely affected as a result of such greater volatility or risk.

### **Convertible and Hybrid Securities risk**

A convertible security is generally a debt obligation that distributes profit or pays dividends and may be converted by the holder within a specified period of time into common stock at a specified conversion price. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a fixed income security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a fixed income security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible fixed income security, and generally has less potential for gain or loss than the underlying stock.

Hybrid securities are those that, like convertible securities described above, combine both debt and equity characteristics. Hybrids may be issued by corporate entities (referred to as corporate hybrids) or by financial institutions (commonly referred to as contingent convertible securities or "CoCos"). Hybrid securities are subordinated instruments that generally fall in the capital structure between equity and other subordinated debt, i.e. such securities will be the most junior securities above equity. Such securities will generally have a long maturity and may even be perpetual in nature. Profit distribution may be discretionary and as such may be cancelled by the issuer at any point, for any reason, and for any length of time. The cancellation of profit distribution may not amount to an event of default. Hybrid securities are callable at pre-determined levels. It cannot be assumed that hybrid securities, including perpetual securities, will be called on the call date. The investor may not receive return of principal on a given call date or on any date.

Contingent convertible securities issued by financial institutions ("CoCos"), which became popular following the 2008-2009 financial crisis as a way of mitigating the impact of stressed market conditions, have certain additional characteristics not typical of corporate hybrids. For CoCos, conversion is tied to a pre-specified trigger event based on the capital structure of the financial institution and/or to when the regulator deems the bank to be no longer viable. The contingent convertible securities may convert to equity or, alternatively, may be purely loss absorbing and convert to nothing. Trigger levels may differ from one issue to the next and the risk of conversion will depend on the distance

of the capital ratio to the trigger level and/or the point at which the regulator deems the issuer no longer viable (i.e. the securities are "bail-inable" at the "point of non-viability" or PONV), making it difficult for the Investment Manager(s) of the relevant Fund to anticipate the triggering events that would require the debt to convert into equity or be simply loss absorbing. It may also be difficult for the Investment Manager(s) to assess how the securities will behave upon conversion. Because conversion occurs after a specified event, conversion may occur when the share price of the underlying equity is less than when the security was issued or purchased. Whereas traditional convertible securities are convertible at the option of the holder and the holder of such securities will generally convert when the share price is higher than the strike price (i.e. when the issuer is doing well), CoCos tend to convert when the issuer is in crisis and needs additional equity or loss absorption in order to survive. As a result, there is greater potential for capital loss with CoCos compared to conventional convertible securities. The trigger could be activated through a material loss in capital as represented in the numerator or an increase in risk weighted assets (due to a shift to riskier assets) as measured in the denominator. Unlike for corporate hybrids, cancelled profit distribution do not generally accumulate and are instead written off. Holders of CoCos may see their profit distribution cancelled while the issuer continues to pay dividends on common equity, unlike the case of corporate hybrids which typically have so-called "dividend pusher/stopper clauses" which link the payment of hybrid profit distribution to equity dividends. CoCos may suffer from capital structure inversion risk, since investors in such securities may suffer loss of capital when equity holders do not in the event the pre-defined trigger is breached before the regulator deems the issuer non-viable (if the regulator declares non-viability before such a breach, the normal creditor hierarchy should apply). The value of CoCos may be subject to a sudden drop in value should the trigger level be reached. A Fund may be required to accept cash or securities with a value less than its original investment or, in the event of instances where the contingent convertible security is intended to be only loss absorbing, the Fund may lose its entire investment.

### **Counterparty Risk**

When Shariah-compliant over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives) the Company may find itself exposed to risks arising from the solvency of its counterparties and from their ability to respect the conditions of these contracts. The Company is exposed to the risk that the counterparty will fail to respect its commitments under the term of each contract. In addition, there may be a limited number of approved counterparties available for certain Shariah-compliant financial instruments, exposing the fund to the possibility that only a few or even just one counterparty is available to engage in a given transactions. If the available approved counterparty (or counterparties) does not offer a competitive rate for the hedging transaction or decides not to roll a hedging transaction when it comes due, the Company's ability to implement the hedging strategy could be impaired or could end. This would mean that the Hedged Share Class would no longer closely track the performance of the Share Classes in base currency.

### **Credit Risk**

Credit risk, a fundamental risk relating to all fixed income securities (including Sukuk) as well as Shariah-Compliant money market instruments, is the chance that an issuer will fail to make principal and profit payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk under normal market conditions, while corporate debt, especially for companies with poorer credit ratings, have the highest credit risk. Government, or sovereign, securities can also carry high risk if a country's economic, political, fiscal and monetary situation deteriorates. Changes in the financial condition of an issuer, changes in economic and political conditions in general, and/or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

### **Custody Risk**

Assets of the Company are safe kept by the Depositary Bank and Investors are exposed to the risk of the custodian not being able to fully meet its obligation to reconstitute in a short timeframe all of the assets of the Company in the case of bankruptcy of the Depositary Bank. The assets of the Company will be identified in the Depositary Bank's books as belonging to the Company. Securities and Sukuk held by the Depositary Bank will be segregated from other assets of the Depositary Bank which mitigates but does not exclude the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy. The Depositary Bank does not keep all the assets of the Company itself but uses a network of sub-custodians which may not be part of the same group of companies as the Depositary Bank. Investors are also exposed to the risk of bankruptcy of the sub-custodians. A Fund may invest in markets where custodial and/or settlement systems are not fully developed.

### **Fixed Income Securities risk**

All Funds that invest in fixed income securities or Money Market Instruments are subject to interest rate risk, credit risk, default risk and may be exposed to specific risks including but not limited to sovereign risk, high yield securities risk, restructuring risk and risk related to the use of credit ratings.

A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities.

Variable rate securities (which include floating-rate fixed income securities) generally are less sensitive to interest rate changes than fixed rate fixed income securities.

Some Funds may invest in fixed income securities on which the issuer is not currently distributing profit (defaulted fixed income securities). These Funds may buy defaulted fixed income securities if, in the opinion of the Investment Manager(s), it appears likely that the issuer may resume distribution of profit or other advantageous developments appear likely in the near future. These securities may become illiquid.

Sovereign fixed income securities can be subject to risks in addition to those relating to fixed income securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to distribute profit and repay principal on its sovereign debt. There are generally no bankruptcy proceedings for sovereign debt. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the obligations may be restructured. In the event of a default on sovereign obligation, a Fund may have limited legal recourse against the defaulting government entity.

Funds may invest in sovereign debt issued by governments or government-related entities from countries referred to as Emerging Markets or Frontier Markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls.

Some Funds may invest in higher-yielding securities rated lower than investment grade. High-yield fixed income securities and unrated securities of similar credit quality ("**high-yield fixed income instruments**") involve greater risk of loss, or delays of distribution of profit and principal payments, than higher-quality fixed income securities. Issuers of high-yield fixed income instruments are not as strong financially as those issuing securities of higher credit quality. High-yield fixed income instruments are generally less liquid and their prices fluctuate more than higher-quality securities.

Some Funds may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations (including those involving bankruptcy). Such corporate events could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk.

The use of credit ratings in evaluating fixed income securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate. Recently, legislation and regulations to reform rating agencies have been proposed and may adversely impact the Fund's investments or investment process.

Fixed income securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When a Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates.

### **Derivative Instruments Risk**

A derivative is a financial instrument whose value is derived from the value of another asset. In Islamic finance, derivative instruments may only be used for (i) reduction of risk, (ii) reduction of cost and/or (iii) generation of additional capital or return with a level of risk which is consistent with the risk profile of the relevant Fund, not for speculation which, like gambling, is a prohibited (*Haram*) activity.

For the purpose of hedging, reduction of cost and generation of additional capital or return with a level of risk which is consistent with the risk profile of the relevant Fund, the Company may, within the context of each Fund's overall investment policy, and within the limits set forth in the investment restrictions and the Shariah Guidelines applicable to the Funds, engage in certain transactions involving the use of Shariah-compliant derivative instruments, including but not limited to profit rate swaps and foreign currency forward contracts (including via proxy hedging where one currency may be closely correlated with another currency). The Company may engage, within the limits established by the investment restrictions and the Shariah Guidelines, in various portfolio strategies involving the use of instruments in order to protect against market and currency risks. If a Fund intends to engage in transactions involving the use of Shariah-compliant derivative instruments as part of its investment strategy, rather than on an occasional basis, this will be described in the investment objective of such Fund.

The use of derivative instruments and hedging transactions may or may not achieve its intended objective and involves special risks.

The global exposure of a Fund to Shariah-compliant Financial Derivative Instruments shall not exceed its total net assets value and as a result the total risk exposure of such Fund shall not exceed 200% of its net assets value on a permanent basis.

Performance and value of derivative instruments depend, at least in part, on the performance or value of the underlying asset. Derivative instruments involve cost, may be volatile, and may involve a small investment relative to the risk assumed (leverage effect). Their successful use may depend on the Investment Manager(s)' ability to predict market movements. Risks include delivery failure, default by the other party or the inability to close out a position because the trading market becomes illiquid. Some derivative instruments are particularly sensitive to changes in interest rates. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund's risk of loss is limited to the net amount due. OTC derivative instruments involve a higher degree of risk as OTC markets are less liquid and regulated.

### **Distressed Securities risk**

Investment in distressed securities may cause additional risks for a Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to distribute profit and pay principal or maintain other terms of the offer documents over any long period of time. Distressed securities are commonly understood as securities issued by companies undergoing financial pressure due to possible bankruptcy, re-structuration, or other financial turmoil. Changing market conditions may have a greater adverse impact on such securities and a portfolio holding substantial amounts of distressed securities may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of profit and principal may involve additional cost for the relevant Fund. Under such circumstances, the returns generated from the relevant Fund's investments may not compensate the shareholders adequately for the risks assumed.

For the purpose of this Prospectus, distressed securities are to be understood as including defaulted securities, and securities that are being rated CCC or below by at least 2 ratings agencies, or if unrated, their equivalent and have a credit spread above 1,000 bps. However, with respect to securities with a credit spread higher than 1000 bps (irrespective of their credit rating), the Investment Manager(s) will proceed to additional analyses and verifications notably based on the evolution of the security's credit spread and the rating provided by other credit agencies in order to assess whether this security should be requalified as a distressed security. This procedure is further described in the Management Company's risk management process.

### **Distribution Risk**

Distribution of dividends, if any, is not guaranteed. Only Shareholders whose names are entered on the relevant record date shall be entitled to the distribution declared in respect of the corresponding quarterly, interim or annual accounting period, as the case may be. The net asset value of the relevant Fund will be reduced by the amount of dividend paid.

### **Dividend Policy Risk**

A 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 Share.

### **Emerging Markets Risk**

All Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and Emerging Markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited or less effective regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

### **Europe and Eurozone Risk**

Mounting sovereign debt burdens worldwide may create economical and political tensions should a country be perceived to face difficulties in the servicing of its debt. This risk may be accrued in Europe and the Eurozone where the perceived default of one country may adversely affect the entire region and its currency. Such events may adversely affect interest rates and the prices of both fixed income and equity securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe.

The performance and value of the relevant Funds may be adversely affected should there be any adverse credit events (e.g. downgrade of the sovereign credit rating or default or bankruptcy of any Eurozone countries).

### **ESG Regulatory Risk**

The regulatory framework with respect to sustainable investments is constantly developing and evolving. The lack of common or harmonised definitions and labels regarding ESG and sustainability criteria or clear guidelines on the required level of disclosure may result in different approaches by asset managers when integrating ESG and sustainability criteria into investment decisions and updating the marketing documentation of an investment vehicle. Therefore, a degree of subjectivity is required and this will mean that a Fund may invest in a security that another asset manager or an investor would not and the level of disclosure in the Company's marketing documentation may be more or less detailed than the disclosure inserted in the marketing documentation of other investment vehicles. Hence, it may be difficult to compare investment vehicles, with ostensibly similar objectives as these investment vehicles will employ different security selection and exclusion criteria. Consequently, the performance profile of otherwise similar investment vehicles may deviate more substantially than might otherwise be expected. This also means that the approach which has been subjectively selected may potentially differ from positions adopted at a later stage at EU level or by national supervisory authorities, which might entail a reputational risk or be considered as involuntary greenwashing.

### **Foreign Currency Risk**

Since the Company values the portfolio holdings of each of its Funds in either US dollar or Euro, changes in currency exchange rates adverse to those currencies may affect the value of such holdings and each respective Fund's yield thereon.

Since the securities, including cash or cash equivalents, held by a Fund may be denominated in currencies different from its base currency, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Shares, and also may affect the value of dividends earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

To the extent that a Fund or any Share Class seeks to use any strategies or instruments to protect against currency exchange risk, there is no guarantee that protection will be achieved. Unless otherwise stated in any Fund's investment policy, there is no requirement that any Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction.

### **Frontier Markets Risk**

Investments in Emerging Market countries involve risks as set out in the section "Emerging Markets Risks" above. Investments in Frontier Markets involves risks similar to investments in Emerging Markets but to a greater extent since Frontier Markets are even smaller, less developed, and less accessible than other Emerging Markets. Frontier Markets may also experience greater political and economic instability and may have less transparency, less ethical practices, and weaker corporate governance compared to other Emerging Markets and the relevant Fund/Investors may be adversely impacted. Such markets are also more likely to have investment and repatriation restrictions, exchange controls and less developed custodial and settlement systems than other Emerging Markets. The countries that comprise Frontier Markets include the lesser developed countries located in Africa, Asia, the Middle East, Eastern Europe and Latin America. As a result, the relevant Fund/Investors may be adversely impacted.

### **Geopolitical Risk**

Geopolitical risk refers to the potential for disrupting economies or financial markets, affecting the liquidity and/or performance of investments, limiting opportunities for investment and/or requiring the sale of investments at a loss due to political events or instability in a country or region. These events can include wars, terrorism, political upheaval, changes in government policies and international conflicts (including trade disputes).

### **Legal and Regulatory Risk**

The Funds must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions, including the Grand Duchy of Luxembourg.

The interpretation and application of legislative acts can be often contradictory and this may impact the enforceability of the various agreements and guarantees entered into by the Funds. Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public. The interpretation and application of laws and regulations can be often contradictory and uncertain particularly in respect of matters relating to taxation.

Courts may not adhere to the requirements of the law and the relevant contract and it cannot be guaranteed that any recourse or judgment obtained in a foreign court will be enforced in certain jurisdictions where the assets relating to securities held by the Funds are located.

### **Liquidity Risk**

Reduced liquidity may have an adverse impact on market price and the Company's ability to sell particular securities when necessary to meet the Company's liquidity needs or in response to a specific economic event such as the deterioration in the creditworthiness of an issuer.

### **Market Risk**

The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer, a particular industry or sector, such as changes in production costs and competitive conditions within an industry or a specific country. Unexpected events such as natural or environmental disasters (earthquakes, fires, floods, hurricanes, tsunamis) and other severe weather-related phenomena generally, or widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies of individual companies, sectors, industries, nations, markets and adversely impacting currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Fund's investments. Given the interdependence among global economies and markets, conditions in one country, market, or region are likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries. These disruptions could prevent the Fund from executing advantageous investment decisions in a timely manner and could negatively impact the Fund's ability to achieve its investment objective. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance. All investments in financial markets may decrease in value.

Additionally, stock prices tend to go up and down more dramatically than those of fixed income securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a Fund.

### **Distributor subscribing for Shares in its own name and on behalf of an underlying Investor Risk**

The legislative framework in some markets is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in securities. Consequently, the courts in such markets may consider that any distributor subscribing for Shares in its own name and on behalf of an underlying Investor or custodian as registered holder of securities would have full ownership thereof and that a beneficial owner may have no rights whatsoever in respect thereof.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Potential causes of loss may arise from deficiencies in internal controls, Shariah screening controls, human errors, physical systems failures and other business execution risks as well as external events.

### **Real Assets risk**

Funds investing in real assets securities, or securities linked to real assets, will be subject to specific risks linked to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. Real Assets markets performance may show little correlation to equity and bond markets. There is a risk that funds investing in real assets may perform poorly in an otherwise favourable economic environment.

Securities of real estate investment trusts ("REITs") may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT's performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay a rent or poor management. A REIT's performance also depends on the company's ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

Securities of infrastructure companies are securities of companies whose primary business is in infrastructure-related activities, including the design, construction, operation or maintenance of seaports, airports, railways, roadways, pipelines, energy generation facilities (coal, oil, nuclear, hydro or solar powered), electricity transmission, water treatment plants, or related activities to these businesses. Such companies may experience volatility due to challenges such as getting the necessary permits, obtaining environmental clearances, meeting regulatory standards, requirements or guidelines, or being impacted by the level of economic activity, weather, natural disasters, governmental actions, civil disturbances, or acts of terrorism. By virtue of being concentrated in this one sector, a Fund may experience greater volatility compared to funds that follow a more diversified investment policy.

### **Reclassification of Shariah Status Risk**

Shariah-compliant securities which are reclassified as Shariah non-compliant upon review by the SSB will require the securities to be disposed of immediately should their market value exceed the original investment cost on the announcement day. However, in the event the market value does not exceed the original investment cost on the announcement day, the relevant securities deemed non-compliant by the SSB can be

held up to a maximum of 90 days from day of announcement. Any capital gain arising from the disposal of the Shariah non-compliant securities made at the time of the announcement day can be kept by the Fund. However, any excess capital gain derived from the disposal of the Shariah non-compliant securities after the announcement day at a market price that is higher than the closing price on the announcement day must be channelled to charitable bodies under the guidance of SSB.

#### **Reinvestment of Collateral Risk**

Following reinvestment of collateral as defined in Appendix C. 3 of this Prospectus "Shariah -compliant Financial Derivative Instruments", the entirety of the risk considerations set out in this section regarding regular investments apply.

#### **Restructuring Companies Risk**

Some Funds may invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. They may also purchase securities and participations therein, both secured and unsecured, of companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks.

#### **Settlement Default Risk**

Some Funds may invest in Shariah-compliant fixed-income securities where, following investment, a contractual payment is not made upon a certain settlement date. This constitutes Settlement Default risk. These securities may be, or become, less liquid or even illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Fund's portfolio defaults, the Fund may have unrealised losses on the security, which may lower the Fund's Net Asset Value per Share. Defaulted securities tend to lose much of their value before they default. Thus, the Fund's NAV may be adversely affected before an issuer defaults. In addition, the Fund may incur additional expenses if it must try to recover principal or profit payments on a defaulted security.

Included among the issuers of fixed income securities or obligations in which the Company may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

#### **Shanghai-Hong Kong Stock Connect risk and Shenzhen-Hong Kong Stock Connect Risk**

Certain Funds may invest and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (together referred to as "**Stock Connect**"). Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"). Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEx, Shenzhen Stock Exchange ("**SZSE**") and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between mainland China and Hong Kong.

The Stock Connect comprises two Northbound Trading Links, one between SSE and Stock Exchange of Hong Kong Limited ("**SEHK**"), and the other between SZSE and SEHK. Stock Connect will allow foreign investors to place orders to trade eligible China A-Shares listed on the SSE ("**SSE Securities**") or on the SZSE ("**SZSE Securities**") (the SSE Securities and SZSE Securities collectively referred to as the "**Stock Connect Securities**") through their Hong Kong based brokers.

The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on the SEHK, except (i) those SSE-listed shares which are not traded in RMB and (ii) those SSE-listed shares which are included in the "risk alert board". The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time. The SZSE Securities include all the constituent stocks from time to time of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which has a market capitalization of at least RMB 6 billion, and all the SZSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except those SZSE-listed shares (i) which are not quoted and traded in RMB, (ii) which are included in the "risk alert board"; (iii) which have been suspended from listing by the SZSE; and (iv) which are in the pre-delisting period. The list of eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time.

Further information about the Stock Connect is available online at the website:

[https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en)

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A-Shares and regulatory risk.

#### *Quota limitations*

The programmes are subject to a daily quota limitation which may restrict a Funds' ability to invest in Stock Connect Securities through the programmes on a timely basis. In particular, once the Northbound daily quota is reduced to zero or the Northbound daily quota is exceeded during the opening call session, new buy orders will be rejected (although investors will be allowed to sell their cross-boundary securities regardless of the quota balance).

#### *Suspension risk*

Each of the SEHK, SZSE and SSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. In case of a suspension, the Funds' ability to access the mainland China market will be adversely affected.

#### *Differences in trading day*

Stock Connect only operates on days when both mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement day. Due to the difference in trading days between the mainland China and the Hong Kong markets, there may be occasions when it is a normal trading day for the mainland China market but not in Hong Kong and, accordingly, the Funds

cannot carry out any Stock Connect Securities trading. The Funds may therefore be subject to a risk of price fluctuations in China A-Shares during the periods when Stock Connect is not operational.

*Restrictions on selling imposed by front-end monitoring*

Mainland China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise both SZSE and SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

*Clearing settlement and custody risks*

Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("**HKSCC**") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("**CSRC**"). The chances of ChinaClear default are considered to be remote.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

The China A-Shares traded through Stock Connect are issued in scripless form, so investors, such as the relevant Funds, will not hold any physical China A-Shares. Hong Kong and overseas investors, such as the Funds, who have acquired Stock Connect Securities through Northbound trading should maintain the Stock Connect Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to the Stock Connect is available upon request at the registered office of the Company.

*Operational risk*

The Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("**China Stock Connect System**") to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The relevant Funds' ability to access the China A-Share market (and hence to pursue their investment strategy) will be adversely affected.

*Nominee arrangements in holding China A-Shares*

HKSCC is the "nominee holder" of the Stock Connect securities acquired by overseas investors (including the relevant Fund(s)) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Funds enjoy the rights and benefits of the Stock Connect securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in mainland China may consider that any nominee or custodian as registered holder of Stock Connect securities would have full ownership thereof, and that even if the concept of beneficial owner is recognised under mainland China law those SSE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant Fund(s) and the Depositary cannot ensure that the Fund's ownership of these securities or title thereto is assured in all circumstances.

Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the Stock Connect securities in mainland China or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognised, these Funds may suffer difficulties or delays in enforcing their rights in China A-Shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depositary and the relevant Fund(s) will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that a Fund suffers losses resulting from the performance or insolvency of HKSCC.

*Investor compensation*

Investments of the relevant Funds through Northbound trading under the Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the relevant Funds are carrying out Northbound trading through securities brokers in Hong Kong but not mainland China brokers, therefore they are not protected by the China Securities Investor Protection Fund in mainland China.

*Trading costs*

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Funds may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.



#### *Mainland China tax consideration*

The Management Company and/or Investment Manager(s) reserve the right to provide for tax on gains of the relevant Fund that invests in mainland China securities thus impacting the valuation of the relevant Funds. With the uncertainty of whether and how certain gains on mainland China securities are to be taxed, the possibility of the laws, regulations and practice in mainland China changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Management Company and/or the Investment Manager(s) may be excessive or inadequate to meet final mainland China tax liabilities on gains derived from the disposal of mainland China securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they purchased and/or sold their shares in/from the relevant Fund.

On 14 November 2014, the Ministry of Finance, State of Administration of Taxation and CSRC jointly issued a notice in relation to the taxation rule on the Stock Connect under Caishui 2014 No.81 ("**Notice No.81**"). Under Notice No.81, Corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (such as the Funds) on the trading of China A-Shares through the Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors (such as the Funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

#### *Regulatory risk*

The CSRC Stock Connect rules are departmental regulations having legal effect in mainland China. However, the application of such rules is untested, and there is no assurance that mainland China courts will recognise such rules, e.g. in liquidation proceedings of mainland China companies.

The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The relevant Funds which may invest in the mainland China markets through Stock Connect may be adversely affected as a result of such changes.

#### **Shariah Compliance Risk**

The Shariah Supervisory Board and the Shariah Screening Provider have been appointed by the Company to ensure the compliance of the Funds' investments with the Shariah Guidelines.

The Management Company will undertake the investment activities of each Fund in accordance to the respective Shariah Guidelines. As a consequence, this may mean that the performance of a Fund may possibly be lower than other investment funds that do not seek to strictly adhere to the Islamic investment criteria. The Shariah Guidelines may require in certain circumstances for a Fund to dispose of certain investments and also may prohibit the investment into well-performing securities due to non compliance to Shariah. These requirements may place a Fund at a relatively less advantageous position compared to other investment funds that do not have to adhere to the Shariah principles.

In addition, the requirement to "purify" cash holdings or dividend income by disposing the purification amount into charitable bodies will likely result in payments being made to charities that have been approved by the Shariah Supervisory Board. To the extent such payments are made, the return to investors will be reduced by the amount of such payments, adversely affecting Fund performance compared to funds with a similar investment objective that do not have to make such payments.

Currently held Shariah-compliant securities may be reclassified to be Shariah non-compliant in the periodic review of the securities by the Shariah Supervisory Board of the Company. If this occurs, then the value of a Fund may be adversely affected, and the Investment Manager(s) will take the necessary steps to dispose of such securities in accordance with the advice from the Shariah Supervisory Board of the Company.

Although the Company fully intends to comply with the Shariah Guidelines at all times, no such assurance can be given, as there may be occasions when a Fund's investment may accidentally become non-compliant to the Shariah for factors that are outside the control of the Company. The Company shall report such incidents to the Shariah Supervisory Board within a month of the incident.

#### **Small and Mid-Sized Companies Risk**

The stock prices of small and mid-sized companies can perform differently than larger, more recognised, companies and have the potential to be more volatile. A lower degree of liquidity in their securities, a greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may all contribute to such increased price volatility. Additionally, smaller companies may be unable to generate new funds for growth and development, may lack depth in management, and may be developing products in new and uncertain markets all of which are risks to consider when investing in such companies. These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and Emerging Markets, especially as the liquidity of securities issued by companies in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

#### **Structured Notes risk**

Structured notes such as credit-linked notes, equity-linked notes and similar notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike Shariah-compliant 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. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customised. The liquidity of a structured note can be less than that for the underlying security-and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

#### **Sukuk Investment Risk**

Price changes in Sukuk are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. Sukuk could suffer when capital market interest rates rise, while they could increase in value when capital market interest rates fall. The price changes also depend on the term or residual time to maturity of the Sukuk. In general, Sukuk with shorter terms

have less price risks than Sukuk with longer terms. However, they generally have lower returns and, because of the more frequent due dates of the securities portfolios, involve higher re-investment costs. Sukuk instruments may be issued by any corporate, sovereign, or supranational entity and may be backed or derive its value from any asset, tangible or otherwise, including home financings.

Sovereign Sukuk ("**Sovereign Sukuk**") are Sukuk issued or guaranteed by governments or government-related entities. Investment in Sovereign Sukuk issued or guaranteed by governments or their agencies and instrumentalities ("**governmental entities**") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Sukuk may not be able or willing to repay the principal and/or return when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the International Monetary Fund.

Sovereign Sukuk holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such obligation by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure of delay in repayment).

Funds investing in Sovereign Sukuk issued by governments or government related entities from countries referred as Emerging or Frontier Markets bear additional risks linked to the specifics of such countries (e.g. currency fluctuations, political and economic uncertainties, repatriation restrictions, etc.).

Sukuk issued or guaranteed by corporate or supranational entities are also subject to the risk that the obligor is unwilling or unable to make payments according to the terms of the Sukuk. Recourse to the obligor may be limited in such instances depending on the jurisdiction where the Sukuk was issued and the law governing the issuance.

### **Sustainability risk**

The Investment Manager(s) consider that sustainability risks are relevant to the returns of the Funds. The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the Funds and may also cause the Funds 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 Funds 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 Funds.

Sustainability risks can manifest themselves in different ways, such as but not limited to:

- failure to comply with environmental, social or governance standards resulting in reputational damage, causing fall in demand for products and services, or loss of business opportunities for a company or industry group,
- changes in laws, regulations or industry norms giving rise to possible fines, sanctions or change in consumer behavior affecting a company or an entire industry's prospects for growth and development,
- changes in laws or regulations, may generate higher demand for, and thus undue increase in prices of securities of companies perceived as meeting higher ESG standards. Prices of such securities may become more volatile if perception from market participants about companies adherence to ESG standards changes, and
- changes in laws or regulations, may incentivize companies to provide misleading information about their environmental, social or governance standards or activities.

Commonly considered sustainability risk factors are split into "Environment, Social, and Governance" (ESG), such as but not limited to the following topics:

#### **Environment**

- Climate mitigation
- Adjustment to climate change
- Protection of biodiversity
- Sustainable use and protection of water and maritime resources
- Transition to a circular economy, avoidance of waste, and recycling
- The avoidance and reduction of environmental pollution
- Protection of healthy ecosystems
- Sustainable land use

#### **Social affairs**

- Compliance with recognized labor law standards (no child and forced labor, no discrimination)
- Compliance with employment safety and health protection
- Appropriate remuneration, fair working conditions, diversity, and training and development opportunities
- Trade union rights and freedom of assembly
- Guarantee of adequate product safety, including health protection
- Application of the same requirements to entities in the supply chain
- Inclusive projects or consideration of the interests of communities and social minorities

#### **Corporate Governance**

- Tax honesty
- Anti-corruption measures
- Sustainability management by the board
- Board remuneration based on sustainability criteria
- The facilitation of whistle-blowing
- Employee rights guarantees
- Data protection guarantees

Sustainability risks can lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and thus may materially impact its market price or liquidity.

#### **Swap Agreements Risk**

The Company may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Company than if the Company had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Company's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

Whether the Company's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Manager(s) to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two-party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Company bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Investment Manager(s) will cause the Company to enter into swap agreements in accordance with the guidelines in Appendix B. The main factor that determines the performance of a swap contract is the movement in the price of the underlying investment, specific interest rates, currencies and other factors used to calculate the payment due by and to the counterparty. If a swap contract requires payment by a Fund, the latter must at all times be able to honour said payment. Moreover, if the counterparty loses its creditworthiness, the value of the swap contract entered into with this counterparty can be expected to fall, entailing potential losses for the Fund.

#### **Value Stocks Risk**

Some Funds may select stocks using a bottom-up, long-term, value-oriented approach. To the extent that markets fail to recognise their expected value, investment may underperform other stock selection approaches.

**Investors should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s) investment objective(s) will be attained. Neither the Company, the Management Company, the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.**

#### **MANAGEMENT COMPANY**

The Board of Directors has appointed Franklin Templeton International Services S.à r.l. as Management Company by a management company services agreement dated 6 December 2013 to be responsible on a day to day basis under the supervision of the Board of Directors, for providing administration, marketing, investment management and advice services in respect of all Funds. The Management Company has delegated the investment management services to the Investment Managers.

The Board of Managers of the Management Company has appointed the conducting persons listed in the section "Administrative Information", responsible for the day-to-day management of the Management Company in accordance with article 102 of the Law of 17 December 2010.

The Management Company was incorporated on 17 May 1991 under the laws of the Grand Duchy of Luxembourg and its articles of incorporation are deposited with the Luxembourg *Registre de Commerce et des Sociétés*. The Management Company is approved as a management company regulated by chapter 15 of the Law of 17 December 2010. The Management Company is part of Franklin Templeton.

The share capital of the Management Company is EUR 4,605,383.00 and the Management Company will comply at all times with article 102 of the Law of 17 December 2010.

The Management Company may also be appointed to act as management company for other investments funds the list of which will be available, upon request, at the registered office of the Company and of the Management Company.

The Management Company will ensure compliance of the Company with the investment restrictions and oversee the implementation of the Company's strategies and investment policy.

The Management Company will receive periodic reports from the Investment Managers detailing the Funds' performance and analysing their investment. The Management Company will receive similar reports from the other services providers in relation to the services which they provide.

The Management Company, being responsible for registrar and transfer, corporate, domiciliary and administrative agent functions, is authorised to delegate and has delegated, in the course of the business, the main administrative functions to third parties as described under sections "Administrative Agent" and "Registrar and Transfer Agent" below, subject however to its overall supervision and oversight.

The Management Company shall report to the Board of Directors on a quarterly basis and inform the Board of Directors of any non-compliance of the Company with the investment restrictions.

## **INVESTMENT MANAGERS**

The Investment Managers mentioned in the section "Administrative Information" have been appointed by the Management Company to act as investment managers to the Funds as may other affiliated investment advisory companies within Franklin Templeton and to provide day-to-day management in respect of the investment and re-investment of the assets of the Funds in compliance with the Shariah Guidelines as may be amended from time to time.

The Investment Managers shall render to the Management Company written reports of the composition of the assets of the Funds under their management as often as the Management Company shall reasonably require.

The Investment Managers and their affiliates serve as advisers for a wide variety of public investment mutual funds and private clients in many nations. Franklin Templeton has been investing globally for over 60 years and provides investment management and advisory services to a worldwide client base, including over 24 million shareholder accounts. The Franklin Templeton Managers are indirect wholly owned subsidiaries of FRI. Through its subsidiaries, FRI is engaged in various aspects of the financial services industry. Details of the value of assets currently managed by Franklin Templeton can be accessed on <http://www.franklintempleton.lu>.

## **SHARIAH SUPERVISORY BOARD**

Amanie Advisors Sdn. Bhd. has been appointed by the Company as Shariah Supervisory Board of the Company to monitor the Funds' compliance with Shariah Guidelines and will be represented by:

- **Dr. Mohamed Ali Elgari.** Dr. Mohamed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia. Dr. Elgari is the recipient of the Islamic Development Bank Prize in Islamic Banking and Finance and holds the KLIFF Islamic Finance Award for Most Outstanding Contribution to Islamic Finance (Individual). Dr. Elgari is an adviser to several Islamic financial institutions throughout the world and is also on the Shariah board of the Dow Jones Islamic Market Index. He is also a member of the Islamic Fiqh Academy as well as the Islamic Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI). Dr. Elgari is a member of the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, including Journal of Islamic Economic Studies (Islamic Development Bank Institute) and Journal of Islamic Economics (International Association for Islamic Economics), and serves on the advisory board of Harvard Series in Islamic Law, Harvard Law School. He graduated from the University of California with a Ph.D. in Economics.
- **Dr. Mohd Daud Bakar.** Dr. Mohd. Daud Bakar is the founder and executive Chairman of Amanie Group. Amanie Advisors, one of the flagship companies of Amanie Group, operates in several countries globally. Dr. Bakar received his first degree in Shariah from University of Kuwait in 1988 and obtained his Ph.D. from University of St. Andrews, United Kingdom in 1993. In 2002, he went on to complete his external Bachelor of Jurisprudence at University of Malaya. Dr. Bakar serves as the Chairman of the Shariah Advisory Council of the Astana International Financial Centre (Kazakhstan), the First Abu Dhabi Bank (United Arab Emirates), and Permodalan Nasional Berhad (Malaysia). Dr. Daud also served as the Chairman of the Shariah Advisory Council of the Central Bank of Malaysia and the Chairman of the Shariah Advisory Council of the Securities Commission of Malaysia. He is also a shariah board member of various global financial institutions, including Dow Jones Islamic Market Index (New York), The National Bank of Oman, BNP Paribas Najmah (Bahrain), Morgan Stanley (Dubai), Bank of London and Middle East (London), Natixis Bank (Dubai), Amundi Asset Management (France) and Sedco Capital (Saudi Arabia and Luxembourg).
- **Dr. Muhammad Amin Ali Qattan.** Dr. Muhammad Amin Ali Qattan has a bachelor's degree in Islamic Economics from Al-Imam University in Riyadh, Saudi Arabia and a Ph.D. in Islamic Banking from Birmingham University. Dr. Qattan is a lecturer as well as a prolific author of texts and articles on Islamic economics and finance. He currently is the Director of Islamic Economics Unit, Centre of Excellence in Management at Kuwait University. Dr. Qattan also serves as the Shariah adviser to many reputable institutions such as Ratings Intelligence, Standard & Poor's Shariah indices, Al Fajer Retakaful, amongst others. He is a highly regarded Shariah scholar and is based in Kuwait.
- **Dr. Osama Al Dereai.** Dr. Osama Al Dereai is a Shariah scholar from Qatar. He has extensive experience in teaching, consulting and research in the field of Islamic finance. He received his Bachelor's degree specializing in the Science of Hadith Al Sharif from the prestigious Islamic University of Madinah. Dr. Al Dereai obtained his Master's degree from the International Islamic University (Malaysia) and was later conferred his Doctorate in Islamic Transactions from the University of Malaya. Dr. Al Dereai is a Shariah board member of various financial institutions including the First Leasing Company, Barwa Bank, First Investment Company and Ghanim Al Saad Group of Companies amongst others.

These Shariah Supervisory Board members already serve on the Shariah boards of several major Islamic institutions.

The Company, with the consent of the Management Company, has appointed the Shariah Supervisory Board to be responsible for Shariah supervisory and compliance functions. The Shariah Supervisory Board will advise the Company and/or the Management Company, with respect to Shariah matters. The Shariah Supervisory Board will establish general investment guidelines which are consistent with the principles of Shariah and will confirm pre-post and ex-post the compliance of all potential investments with the Shariah Guidelines.

As a matter of principle the Funds will only invest in investments which are compliant with the principles of Shariah as interpreted by the Shariah Supervisory Board.

The Investment Managers will be entitled to rely completely on the advice of the Shariah Supervisory Board to ensure that the principles of Shariah are complied with in relation to proposed or actually implemented investments.

- More specifically the Shariah Supervisory Board will analyse the policies, guidelines and management processes and procedures of the Company to ensure compliance with Shariah principles. This will involve, among other duties, endorsing the structure and providing Shariah approval of the following:
  - Constitutional and issuing documents of the Company;
  - Investment criteria for selection of financial products (hereinafter called "**Shariah Products**");

- Marketing materials and presentations; and
- Other areas that are identified as having ramifications from a Shariah perspective.
- The Shariah Supervisory Board will conduct a pre-screening and/or post-screening on Shariah compliance in the context of which the Shariah Supervisory Board will review and ascertain Shariah compliance of a number of Shariah Products selected by the Investment Managers, or its appointed agent.

Whenever the application of Shariah rules so require, the Company intends to deduct from a Fund's total returns amounts that may have derived from interest or other income not in accordance with the principles of Shariah, as determined by the Investment Managers after consultation with the Shariah Supervisory Board. At the end of each quarter, the Investment Managers will compute in respect of each investee company the amount to be deducted from the NAV of a Fund on the basis of the latest available information. A provision (adjusted to take account of changes in the investments of a Fund) shall be made on each Valuation Day in the calculation of the NAV. Information as to the rates of provisions may be obtained from the Investment Managers. The said amounts will be paid to charities from time to time as proposed by the Shariah Supervisory Board after due approval by the Company.

#### **SHARIAH SCREENING PROVIDER**

IdealRatings, Inc. is providing Shariah screening services to identify (i) securities that are in line with the Shariah Guidelines and (ii) the amount of cleansing/purification required in respect of the transferable securities held by the Funds. The Shariah Screening Provider may be changed by the Company and/or the Management Company from time to time.

#### **DEPOSITARY BANK**

J.P. Morgan SE, Luxembourg Branch has been appointed as the Depositary to provide depositary, custodial, settlement and certain other associated services to the Company.

J.P. Morgan SE is a European Company (Societas Europaea) organized under the laws of Germany, with registered office at Taunustor 1 (Taunusturm), 60310 Frankfurt am Main, Germany and registered with the commercial register of the local court of Frankfurt. It is a credit institution subject to direct prudential supervision by the European Central Bank (ECB), the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and Deutsche Bundesbank, the German Central Bank. J.P. Morgan SE, Luxembourg Branch is authorized by the CSSF to act as depositary and fund administrator. J.P. Morgan SE, Luxembourg Branch is registered in the Luxembourg Trade and Companies' Register (RCS) under number B255938 and is subject to the supervision of the aforementioned home State supervisory authorities as well as local supervision by the CSSF.

The Depositary will further:

- a) ensure that the issue, redemption and cancellation of Shares effected by the Company or on its behalf are carried out in accordance with the Law of 17 December 2010 and the Articles;
- b) ensure that the value per Share of the Company is calculated in accordance with the Law of 17 December 2010 and the Articles;
- c) carry out, or where applicable, cause any subcustodian or other custodial delegate to carry out the instructions of the Company or the relevant Investment Manager(s) unless they conflict with the Law of 17 December 2010 or the Articles;
- d) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and
- e) ensure that the income of the Company is applied in accordance with the Articles.

The Depositary may entrust all or part of the assets of the Company that it holds in custody to such subcustodians as may be determined by the Depositary from time to time. Except as provided in applicable laws, the Depositary's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

The Depositary shall assume its functions and responsibilities in accordance with applicable laws as further described in the depositary agreement entered into between the Depositary, the Company and the Management Company.

#### ***The Depositary Agreement***

The Company has appointed the Depositary as depositary effective 10 July 2023 under a depositary agreement dated 5 June 2023, as may be amended also entered by the Management Company (the "**Depositary Agreement**").

The Depositary shall perform all the duties and obligations of a depositary under the UCITS Directive as outlined in the Depositary Agreement.

The Depositary Agreement may be terminated by any party on 90 days' notice in writing. Subject to applicable laws, the Depositary Agreement may also be terminated by the Depositary on 30 days' notice in writing if (i) it is unable to ensure the required level of protection of the Company's investments under the applicable laws because of the investment decisions of the Management Company and / or the Company; or (ii) the Company, or the Management Company on behalf of the Company, wishes to invest or to continue to invest in any jurisdiction notwithstanding the fact that (a) such investment may expose the Company or its assets to material country risk or (b) the Depositary is not able to obtain satisfactory legal advice confirming, among other things, that in the event of an insolvency of a subcustodian or other relevant entity in such jurisdiction, the assets of the Company held locally in custody are unavailable for distribution among, or realisation for the benefit of, creditors of the such subcustodian or other relevant entity.

Before expiration of any such notice period, the Management Company shall propose a new depositary which fulfils the requirements of the UCITS Directive and to which the Company's assets shall be transferred and which shall take over its duties as the Company's depositary from the Depositary. The Company and the Management Company will use best endeavours to find a suitable replacement depositary, and until such replacement is appointed the Depositary shall continue to perform its services under the Depositary Agreement.

The Depositary will be responsible for the safekeeping and ownership verification of the assets of the Company, cash flow monitoring and oversight in accordance with the UCITS Directive. In carrying out its role as depositary, the Depositary shall act independently from the Company and the Management Company and solely in the interest of the Company and its Investors.

The Depositary is liable to the Company or its Investors for the loss of a financial instrument held in custody by the Depositary or any of its delegates. The Depositary shall, however, not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary is also liable to the Company or its Investors for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its duties in accordance with applicable laws.

#### *Conflicts of Interest*

In carrying out its functions, the Depositary shall act honestly, fairly, professionally, independently and solely in the interest of the Shareholders.

As part of the normal course of global custody business, the Depositary may from time to time have entered into arrangements with other clients, funds or other third parties for the provision of safekeeping and related services. Within a multi-service banking group such as JPMorgan Chase Group, from time to time conflicts may arise between the Depositary and its safekeeping delegates, for example, where an appointed delegate is an affiliated group company and is providing a product or service to a fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the funds, for instance foreign exchange, securities lending, pricing or valuation services. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Company (under applicable laws including Article 25 of the UCITS Directive) and will treat the Company and the other funds for which it acts fairly and such that, so far as is practicable, any contracts with service providers are entered into on terms which are not materially less favourable to the Company than if the conflict or potential conflict had not existed. Such potential conflicts of interest are identified, managed and monitored in various other ways including, without limitation, the hierarchical and functional separation of Depositary's depositary functions from its other potentially conflicting tasks and by the Depositary adhering to its own conflicts of interest policy.

#### *Subcustodians and Other Delegates*

When selecting and appointing a subcustodian or other delegate, the Depositary shall exercise all due skill, care and diligence as required by the UCITS Directive to ensure that it entrusts the Company's assets only to a delegate who may provide an adequate standard of protection. The current list of subcustodians and other delegates used by the Depositary and sub-delegates that may arise from any delegation is available online at the website: <http://www.franklintempleton.lu>, by selecting "Invest with Us", "Subcustodians" tabs. The latest version of such list may also be obtained by the Investors from the Company upon request.

In addition, up-to-date information regarding the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation may also be obtained by the Investors on request at the registered office of the Company.

### **REGISTRAR AND TRANSFER AGENT**

Virtus Partners Fund Services Luxembourg S.à r.l. has been appointed by the Management Company as the Registrar and Transfer Agent of the Company to perform the services in relation to the Company under a registrar and transfer agency agreement. These services include, inter alia, (i) maintenance of the register of Shareholders of the Company, (ii) onboarding and know your customer/anti-money laundering services, (iii) investor and distributor services (including client communication function), (iv) transaction processing including processing of the purchase, selling and switching of Shares, (v) cash management, shareholder payments and reconciliation, (vi) commission calculation and payments, (vii) client change management, (viii) CRS & FATCA services, (ix) regulatory reporting, (x) support the Company with handling Complaints and (xi) technology support.

Virtus Partners Fund Services Luxembourg S.à r.l. was incorporated in Luxembourg as a *société à responsabilité limitée* and has its registered office at 8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

Whenever appropriate, any references in this Prospectus relating to the duties of the Management Company in relation to the Register of Shareholders and the dealings of Shares in the Company should also read where relevant as references to any third party to which the Management Company has delegated its registrar and transfer functions.

### **ADMINISTRATIVE AGENT**

J.P. Morgan SE, Luxembourg Branch has also been appointed as the Administrative Agent of the Company to perform some administrative services in relation to the Company under an administration agreement ("**Administration Agreement**"). These services include preparing and maintaining books, records, tax, financial reports and calculating the Net Asset Value of the Funds.

The Administration Agreement may be terminated by any party on 180 days' notice in writing.

Under the Administration Agreement, the Administrative Agent will not be liable for any loss or damage suffered by the Company with respect to any matter as to which the Administrative Agent has satisfied its obligation of reasonable care unless the same results from an act of negligence, fraud, wilful default or material breach of the Administration Agreement on the part of the Administrative Agent. The Company has agreed to indemnify the Administrative Agent (and its affiliates and their respective directors, officers, employees and agents) against, and hold them harmless from, any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys', accountants', consultants' or experts' fees and disbursements) that may be imposed on, incurred by or asserted against the Administrative Agent (or its affiliates and their respective directors, officers, employees and agents) in connection with or arising out of the Administrative Agent's performance under the Administration Agreement, provided the Administrative Agent (and its affiliates and their respective directors, officers, employees and agents) have not acted with negligence or engaged in fraud, material breach of the Administration Agreement or wilful default in connection with the liabilities in question.

## **PUBLICATION OF SHARE PRICES**

The Net Asset Value per Share of each Fund and Share Class is made public at the registered office of the Company and is available at the offices of the Management Company. The Company will arrange for the publication of the Net Asset Value per Share of relevant Funds as required under applicable laws and in such newspapers as the Board of Directors may decide from time to time. This information is also available on the Internet site: <http://www.franklintempleton.lu>. The Company and the Management Company cannot accept any responsibility for any error or delay in publication or for the non-publication of prices.

## **INVESTOR GENERAL INFORMATION**

### **Prior Considerations**

The Company aims to provide investors with a choice of Funds which invest in a wide range of Shariah-compliant transferable securities and other eligible assets on a worldwide basis and which feature a diverse array of investment objectives, including capital growth and income in accordance with the Shariah Guidelines. Investors should give careful consideration to their own personal investment objectives and any local regulatory or tax implications applicable to their circumstances. Investors are recommended to obtain advice from local financial and tax advisers. Further information regarding tax is provided in the sections "Taxation of the Company" and "Taxation of Investors".

Investors should note that the price of Shares and the income from them may go down as well as up and an Investor may not get back the amount invested. Attention of Investors is more specifically drawn to the fact that investment by the Company may trigger specific risks, as more fully described under section "Risk Considerations".

The distribution of this Prospectus and the offering of the Shares may be restricted in certain other jurisdictions and some of the Funds may not be available for public distribution in your jurisdictions. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Prospectus to inform themselves of, and to comply with, all applicable laws and regulations of any relevant jurisdictions.

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentary evidence from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.

Investors should refer to the relevant KID for ongoing charges and historical performance charts of the Share Classes of the relevant Funds.

### **Issue of Shares**

Shares are made available through the Principal Distributor. The Principal Distributor will, from time to time, enter into contractual agreements with several Distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of those Shares.

If circumstances so require, the Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Prospectus.

The Company may restrict or prevent the ownership of Shares by any US Person and/or any person, firm or corporate body if in the opinion of the Company such holding may be detrimental to the Company or its Shareholders, may result in a breach of any applicable law or regulations whether Luxembourg or foreign or may expose the Company or its Shareholders to liabilities (to include, *inter alia*, regulatory or tax liabilities and any other tax liabilities that might derive, *inter alia*, from any breach of FATCA requirements) or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies (including US Persons and/or persons in breach of FATCA requirements) are herein referred to as "Prohibited Persons".

More specifically, the Company shall have the power to impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held directly or beneficially by any Prohibited Person and may:

- 1) decline to issue any Share and decline to register any transfer of a Share, where it appears to it that such registration or transfer would or might result in beneficial ownership of such Share by a Prohibited Person;
- 2) at any time require any person whose name is entered in, or any person seeking to register the transfer of Shares on, the register of Shareholders to furnish it with any representations and warranties or any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not, to what extent and under which circumstances, beneficial ownership of such Shareholder's Shares rests or will rest in a Prohibited Person, or whether such registration will result in beneficial ownership of such Shares by a Prohibited Person;
- 3) where it appears to the Company that any Prohibited Person, either alone or in conjunction with any other person, is a beneficial owner of Shares or is in breach of its representations and warranties or fails to make such representations and warranties in a timely manner as the Company may require, may compulsorily redeem from any such Shareholder all or part of the Shares held by such Shareholder in the manner more fully described into the Articles; and
- 4) decline to accept the vote of any Prohibited Person at any meeting of shareholders of the Company.

### **Listing of Shares**

The Board of Directors may decide to make an application to list the Shares of any Class on any eligible stock exchange.

### **Form and Currency of Shares**

All Shares are issued in registered form. Fractional registered shares will be rounded to three (3) decimal places. Any deal order with a stated Share amount with more than three (3) decimal places will be rounded to three (3) decimal places, using conventional rounding to the nearest thousandths place.

The Company and/or the Management Company may offer within a Fund several Alternative Currency Classes as described in Section "Share Classes".

#### **Dealing Cut-Off Times**

Dealing Cut-Off Times are detailed in Appendix A. The Company and/or Management Company may permit, if it deems it appropriate, different Dealing Cut-Off Times to be agreed with local distributors or for distribution in jurisdictions where the different time zone so justifies. In such circumstances, the applicable Dealing Cut-Off Time applied must always precede the time when the applicable Net Asset Value is calculated and published. Such different Dealing Cut-Off Times shall be disclosed in the local supplement to this Prospectus, the agreements in place with the local distributors, or other marketing material used in the jurisdictions concerned.

#### **Calculation of Share Prices / Net Asset Value**

The prices at which Shares of the relevant Classes can be purchased, sold or switched in each Share Class are calculated on each Valuation Day by reference to the Net Asset Value per Share of the Class concerned and are available on the following Business Day.

Some jurisdictions do not permit Investor transactions to be accepted during local holidays. Details of these arrangements are contained in the locally approved version of this Prospectus.

Details of the calculation of the Net Asset Value are provided in Appendix E. Instructions received in writing by the Transfer Agent in Luxembourg or by a duly authorized distributor, prior to the applicable Dealing Cut-Off Time on any Dealing Day, will be dealt with at the relevant Net Asset Value per Share determined for that Valuation Day.

All deal instructions shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Valuation Day.

#### **Suspension of Dealing and Share Prices / Net Asset Value**

The calculation of the Net Asset Value (and consequently purchases, sales and switches) of any Share of any Fund may be suspended by the Company pursuant to the power reserved to it by its Articles and as described in Appendix E. Instructions made or pending during such suspension may be withdrawn by notice in writing received by the Management Company prior to the end of such suspension. Unless withdrawn, instructions will be considered as if received on the first Valuation Day following the end of the suspension.

#### **Fund Liquidations**

If the total value of the Shares of any Fund is at any time below USD 50 million, or the equivalent thereof in the currency of the relevant Fund, or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned, the Board of Directors may decide to liquidate such Fund and redeem all outstanding Shares. Notice of such liquidation will be sent to the registered Investors. The price at which Shares will be redeemed will be the Net Asset Value per Share of such Fund determined upon realisation of all assets attributable to such Fund. Further details are provided in Appendix D.

#### **Restrictions on Subscriptions and Switches into Certain Funds or Share Class**

A Fund, or Share Class, may be closed to new investors or to all new subscriptions or switches in (but not to redemptions, switches out or transfers) if, in the opinion of the Company or the Management Company, closing is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Fund has reached a size such that the capacity of the market and/or the capacity of the Investment Manager(s) has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Any Fund, or Share Class, may be closed to new investors or all new subscriptions or switches in without notice to Shareholders.

Notwithstanding the above, the Company or the Management Company may allow, at its discretion, the continuation of subscriptions from regular savings schemes on the basis that these types of flows present no challenge with respect to capacity. Once closed, a Fund or a Share Class will not be re-opened until, in the opinion of the Company or the Management Company, the circumstances which required closure no longer prevail. Shareholders and potential investors should confirm with the Company, the Management Company or the Distributor(s) or check the website for the current status of Funds or Share Classes.

#### **Minimum Investment**

The minimum initial investment in the Shares of each Fund is USD 1,000 (or USD 1,000 in the case of switches), USD 5,000,000 for Class I Shares, USD 10,000,000 for Class P1 Shares and USD 5,000,000 for Class P2 Shares or the equivalent in any other freely exchangeable currency, except for investment made by distributors subscribing for Shares in their own names and on behalf of underlying Investors. Existing holders of Shares in any Fund may add to their Holdings in that Fund provided the minimum increase for any purchase is USD 1,000 or the equivalent in any other freely exchangeable currency. Such minimum investment amounts may be waived in whole or in part by the Board of Directors or by the Management Company.

Any specific minimum initial investment applied in other jurisdictions will be disclosed in the local version of this Prospectus.

The minimum Holding requirement in the Shares of each Fund is USD 1,000 or currency equivalent.

The Company and the Management Company reserve the right to reject any application which does not meet the minimum investment requirements. The Company and/or the Management Company may, at any time, decide to compulsorily redeem all Shares from any Shareholder whose holding is less than the minimum holding amount specified above or on application, or who fails to satisfy any other applicable eligibility requirements set out in this Prospectus, and to close the relevant Investor's Portfolio.

#### **Distributor subscribing for Shares in its own name and on behalf of an underlying Investor**

Local offering documentation may provide the facility for the Investors to avail of distributors subscribing for Shares in their own names and on behalf of underlying Investors, Brokers/Dealers and/or local paying agents. The name of the distributor subscribing for Shares in its own name and on behalf of an underlying Investor will appear on the register of Shareholders of the Company and the distributor subscribing for



Shares in its own name and on behalf of an underlying Investor may effect purchases, switches and sales of Shares on behalf of the relevant underlying Investors.

The distributor subscribing for Shares in its own name and on behalf of underlying Investors maintains its own records and provides the relevant Investors with individualized information as to their Holdings. Unless otherwise provided by local law, any Investor investing through a distributor subscribing for Shares in its own name and on behalf of an underlying Investor has the right to claim, direct title to the Shares purchased by the distributor subscribing for Shares in its own name and on behalf of the relevant claiming Investor.

For the avoidance of doubt, Investors subscribing through such other parties (or through sub-distributors, intermediaries, Brokers/Dealers and/or professional investors appointed by such other parties) will not be charged additional fees and expenses by the Company.

### **Third Party Payments**

Investors are informed that it is the Company's policy not to make payment to or accept payment from a party other than the registered Shareholder.

Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account, located in a country other than the Investor's country of residence, the Company and/or the Management Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentary evidence is received that provides additional Investor protection to the satisfaction of the Company and/or the Management Company.

### **Telephone Recording**

The Management Company may use telephone recording procedures to record any conversation. Investors are deemed to consent to the tape-recording of conversations with the Management Company and to the use of such tape recordings by the Management Company and/or the Company and/or the Administrative Agent, as applicable, in legal proceedings or otherwise at their discretion. In addition, some local Franklin Templeton offices may need to record telephone calls and electronic communications for training, monitoring purposes and/or to confirm Investors' instructions. Recordings will be provided upon request (in which case a fee may be charged) for a period of five years from the date of such recording or seven years where specifically required by regulatory authorities.

### **Investor Portfolio**

Investors will be given at least one personal Investor Portfolio Number. Such personal Investor Portfolio Number should be used in all correspondence with the Company or the Management Company. In the event that more than one personal Investor Portfolio Number is attributed to the same Investor, all such personal Investor Portfolio Numbers should be indicated for any request concerning all the portfolios held by the Investor.

### **Shareholder Notifications**

Any relevant notifications or other communications to Shareholders concerning their investment in the Fund (including Contract Notes) may be communicated to a Shareholder via electronic means of communication in accordance with applicable Luxembourg rules, where the Shareholder has consented and provided an e-mail address and/or relevant electronic contact details to the Management Company for such purposes. Relevant notifications or other communications to Shareholders concerning their investment in the Company may also be posted on the website [www.franklintempleton.lu](http://www.franklintempleton.lu). In addition, and where required by Luxembourg law or the Luxembourg regulator, Shareholders will also be notified in writing or in such other manner as prescribed under Luxembourg law. In particular, Shareholders should refer to the "Meetings and Reports" section.

In electronic communications and dealings, Franklin Templeton will make reasonable efforts to preserve and protect confidentiality of data communicated. Recipients of electronic communications should be aware that the integrity and confidentiality of electronic online communication transiting through the Internet may not be guaranteed due to a multiplicity of factors including, but not limited to, vulnerability of hardware, software, operating system or electronic platform employed by such recipients in their dealings with Franklin Templeton.

### **Contract Notes**

Following the execution of a transaction, a Contract Note will be dispatched to the Investor normally within one (1) Business Day (except for Regular Savings Plans). Investors should promptly check this Contract Note to ensure that each transaction has been accurately recorded in the relevant Investor Portfolio. In the event of identifying a discrepancy Investors should immediately report such discrepancy in writing to the Management Company or their local Franklin Templeton servicing office. If not so reported within fifteen (15) Business Days from the Contract Note date, the transaction will be deemed correct and the Investor will be bound by the terms of the Contract Note.

### **Personal theft**

Any correspondence issued by the Company or the Management Company is private and confidential. To safeguard Investors' Holdings, in the case of loss or theft of any correspondence with the Company or the Management Company (or of identity documents/passport), Investors should immediately inform their local Franklin Templeton servicing office.

### **Data Protection**

All personal data of Investors (the "**Personal Data**") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Management Company may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("**processed**") by the Company, the Management Company and other companies of Franklin Templeton, including Franklin Resources, Inc. and/or its subsidiaries and associates, the Depositary Bank, the Administrative Agent and any other third parties (including but not limited to printing and mailing services) which provide services to them, any of which may be established outside Luxembourg and/or the European Union, including the US and India. Such Personal Data shall be processed for the purposes of account administration, development of business relationships, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, or for the purpose of compliance with FATCA or similar laws and regulations (e.g. EU or OECD level). The Company and/or the Management Company, for the purpose of FATCA or other legal compliance, may be required to disclose Personal Data relating to US Persons and/or non-participant FFIs to the Luxembourg tax authorities which may

transfer them to the Internal Revenue Service in the US. The Company and members of the Franklin Templeton group may also use Personal Data for other purposes set forth in the Franklin Templeton Privacy and Cookies Notice (the "**Privacy Notice**").

The Company asks for investors to consent to the use of information on their political opinions, religious or philosophical beliefs which may be revealed by compliance checks against politically exposed persons, for the above purposes. This consent is recorded in the application form.

The Privacy Notice provides, among other, further information on the Company's and Franklin Templeton' use of Personal Data, the types of Personal Data processed, the other purposes for which Personal Data is processed, the list of entities involved in the processing of Personal Data as well as the rights of the data subjects. The Privacy Notice is available on the Internet site: [www.franklintempletonglobal.com/privacy](http://www.franklintempletonglobal.com/privacy) (a paper copy will be made available free of charge upon request). If an Investor wishes to exercise its individual rights, or to raise any question, concern or complaint concerning the Privacy Notice, it may contact the Management Company or alternatively, the Data Protection Officer (Email address: [DataProtectionOfficer@franklintempleton.com](mailto:DataProtectionOfficer@franklintempleton.com)) at Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L 1246 Luxembourg.

Investors' attention is drawn to the fact that the Privacy Notice is subject to change at the sole discretion of the Management Company and/or the Company.

#### **Anti-Money Laundering and Counter-Terrorist Financing Legislation**

Pursuant to the Luxembourg law of 5 April, 1993 relating to the financial sector (as amended), Directive 2018/843/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorism financing and the Luxembourg law of 12 November 2004 relating to money laundering and counter terrorist financing (the "**Law of 2004**") (as amended), the law of 27 October 2010 enhancing the anti-money laundering and counter-terrorist financing legal framework and the CSSF Regulation No. 12-02 of 14 December 2012 implementing a legally binding reinforcement of the regulatory framework (the "**CSSF Regulation 12-02**"), as well as to the circulars of the Luxembourg supervisory authority (notably CSSF circulars 13/556, 11/529, 11/528, 10/486 and 10/484), obligations have been imposed on the Company to take measures to prevent the use of investment funds for money laundering and terrorist financing purposes.

Accordingly, the Management Company has established a procedure to identify all its Investors. To meet the Management Company's requirements, Investors should submit any necessary identification documents together with the application form. For private individuals this will be a passport or identity card copy duly certified to be a true copy by an authorized body in their resident country. Legal entities will be required to produce documents such as proof of regulation, membership to a recognised stock exchange, or company articles of incorporation/by-laws or other constitutive documents as applicable. The Management Company is also obliged to identify any beneficial owners of the investment. The requirements apply to both direct purchase to the Company and indirect purchase received from an intermediary or a distributor subscribing for Shares in its own name and on behalf of underlying Investors. In case of a subscription for an intermediary on behalf of a customer and/or a distributor subscribing for Shares in its own name and on behalf of underlying Investors, enhanced customer due diligence measures for this intermediary and/or a distributor subscribing for Shares in its own name and on behalf of underlying Investors will be applied in accordance with the Law of 2004 and CSSF Regulation 12-02. In this context, Investors must inform without delay the Management Company or the Company when the person(s) designated as beneficial owner(s) change and in general, ensure at all times that each piece of information and each document provided to the Management Company or intermediary and/or distributor subscribing for Shares in its own name and on behalf of an underlying Investor, remains accurate and up-to-date.

The Management Company reserves the right to ask at any time for additional information and documentary evidence, such as updated identity documentation, source of funds and origin of wealth, as may be required in higher risk scenarios or to comply with any applicable laws and regulations, including applicable Luxembourg regulations on the prevention of the use of the financial sector for money laundering purposes. In case of delay or failure to provide such information and/or documentary evidence, the Management Company may delay or reject the processing of purchase or sale instructions, or any other transaction. The Management Company may also delay or suspend the payment of dividends until relevant and satisfactory information and/or documentary evidence is received. In addition, the Management Company reserves the right to stop the payment of any commissions, to block further transactions in the Company's Funds and/or to ultimately terminate the business relationship with sub-distributors, intermediaries, brokers/dealers and/or professional investors after reasonable attempts from the Management Company to reach agreement on updated terms and conditions or contractual arrangements, obtain missing or updated documentation (including underlying clients' documentation) requested from such sub-distributors, intermediaries, brokers/dealers and/or professional investors in line with applicable laws and regulations, thus preventing the Management Company from fulfilling its anti-money laundering and counter-terrorist financing obligations. Neither the Company nor the Management Company have any liability for delays or failure to process deals as a result of sub-distributors, intermediaries, brokers/dealers, professional investors and/or the Investor providing no or only incomplete information and/or documentary evidence.

Such information provided to the Management Company is collected and processed for anti-money laundering and counter-terrorist financing compliance purposes.

The Management Company shall ensure that due diligence measures on the Company's investments are applied on a risk-based approach in accordance with Luxembourg applicable laws and regulations.

#### **Trading Policy**

**Short term and excessive trading ("excessive trading").** Short term and excessive trading include Investors or groups of Investors whose transactions seem to follow a timing pattern or are characterised by excessively frequent or large trades. The Company discourages short-term and/or excessive trading and intends to seek to restrict or reject such trading or take other action, as described below, if in the judgment of the Company or the Management Company such trading may interfere with the efficient management of the portfolio of any Fund, may materially increase the Fund's transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Company and its Investors.

**Market timing.** The nature of the Fund's portfolio holdings may expose the Fund to Investors who engage in the type of market timing trading that seeks to take advantage of possible delays between the change in the value of a Fund's portfolio holdings and the reflection of the change in the Net Asset Value of the Fund's Shares, sometimes referred to as "arbitrage market timing". There is the possibility that such trading, under certain circumstances, may dilute the value of Fund Shares if selling Investors receive proceeds (and buying Investors receive Shares) based upon Net Asset Value which do not reflect appropriate fair value prices. Arbitrage market timers may seek to exploit possible delays between the change in the value of a Fund's portfolio holdings and the Net Asset Value of the Fund's Shares in Funds that hold significant investments

in foreign securities because certain foreign markets close several hours ahead of the US markets, and in Funds that hold significant investments in small-cap securities, sub-investment grade Sukuk and other types of investments which may not be frequently traded. The Company will not knowingly allow trading activity which is associated with market timing as such practice may affect the interests of all Investors.

**Market timing and excessive trading consequences.** The Company or the Management Company does not knowingly allow any market timing transactions, and take various measures to protect Investors' interests, including revoking, rejecting, suspending or cancelling any trade or transaction request that has been placed in violation or appears to represent a violation of the Company's trading policy. If information regarding an Investor's trading activity leads the Company, the Management Company or their agents (including the Transfer Agent or a financial intermediary) to conclude that such trading activity may be detrimental to the Company as described in this trading policy, the Company may temporarily or permanently bar an Investor's future purchases into the Company or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which an Investor may request future purchases and sales (including purchases and/or sales by a switch or transfer between the Company and any other Franklin Templeton funds). The Company or the Management Company has the right to forcibly redeem an Investor's investment, at that Investor's sole cost and risk, if it appears that the Investor has engaged in market timing and/or excessive trading.

In considering an Investor's trading activity, the Company or the Management Company may consider, among other factors, the Investor's trading history both directly and, if known, through financial intermediaries, in the Company, in other Franklin Templeton funds, in non-Franklin Templeton funds, or in accounts under common control or ownership.

**Market timing and excessive trading through financial intermediaries.** Investors are subject to this policy whether they are a direct Shareholder of the Fund or are investing indirectly in the Company through a financial intermediary such as a bank, an insurance company, an investment advisor, or any other distributor subscribing for Shares in its own name and on behalf of underlying Investors (the Shares being held in an "omnibus holding"). The Management Company will contractually enforce this trading policy and oblige the financial intermediaries to employ active ongoing trade monitoring strategies in order to detect and reject any such trading activities with their customers who invest indirectly in the Company.

The Company and the Management Company are currently using several methods to reduce the risk of market timing and excessive trading. These methods include:

- reviewing Investor activity for market timing and excessive trading; and
- committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to this trading policy.

Though these methods involve judgments that are inherently subjective and involve some selectivity in their application, the Company or the Management Company seeks to make judgments and applications that are consistent with the interests of the Company's Investors. There is no assurance that the Company, the Management Company or its agents will gain access to all information necessary to detect market timing and/or excessive trading in particular when investments and transactions are intermediated by financial intermediaries or instructed in omnibus holdings accounts (accounts of distributors subscribing for Shares in their own names and on behalf of underlying Investors) used by those intermediaries for aggregated purchases, switches and sales on behalf of all their customers. While the Company and the Management Company seek to take appropriate actions (directly and with the assistance of financial intermediaries) to detect market timing and/or excessive trading, the Company cannot represent that such trading activity can be completely eliminated but will not knowingly allow any such trading activity to occur.

#### **Regular Savings Plans and Regular Withdrawal Plans**

Regular Savings Plans and Regular Withdrawal Plans are available for the benefit of Investors in various countries. In the case a Regular Savings Plan is terminated before the agreed final date, the amount of entry charges payable by the relevant Investors may be greater than it would have been in the case of a standard purchase, as detailed in section "Entry Charge and Contingent Deferred Sales Charge". For further information please contact the Management Company or your local Franklin Templeton office.

The minimum Holding requirement (USD 1,000 or currency equivalent) is waived in respect of Regular Savings Plans and Regular Withdrawal Plans.

#### **Preferential treatment**

Side letters may be negotiated with specific Investors when (i) the investment size reaches a certain threshold, whereupon particular financial terms deviating from those currently disclosed in the Prospectus may be agreed; and/or (ii) the Investor is required to perform portfolio analytics, including, but not limited to, risk analysis/asset allocation purposes or is required to disclose non-public information in advance in order to comply with either a regulatory or audit request. The nature and scope of the side letters may vary between Investors but essentially these arrangements mainly consist of (i) particular fee treatments in relation to specific significant investments; or (ii) early disclosure of non-public portfolio information through non-disclosure agreements.

#### **Contact Details**

Contact details for the Management Company can be found in the section "Administrative Information", on the application form, the Contract Note or the Franklin Templeton Internet site <http://www.franklintempleton.lu>.

## **SHARE CLASSES**

### **Share Classes Available**

The following Share Classes are or will be issued upon a decision of the Board of Directors.

| <b>Share classes</b> | <b>Accumulation</b> | <b>Distribution</b>                  |
|----------------------|---------------------|--------------------------------------|
| Class A              | (Acc)               | (Mdis)<br>(Qdis)<br>(Bdis)<br>(Ydis) |
| Class AS             |                     |                                      |
| Class C              |                     |                                      |
| Class D              |                     |                                      |
| Class I              |                     |                                      |
| Class M              |                     |                                      |
| Class N              |                     |                                      |
| Class P1             |                     |                                      |
| Class P2             |                     |                                      |
| Class S              |                     |                                      |
| Class T              |                     |                                      |
| Class W              |                     |                                      |
| Class X              |                     |                                      |
| Class Y              |                     |                                      |
| Class Z              |                     |                                      |

Unless otherwise stated in the Prospectus, the same terms and conditions apply to the different types of Shares i.e. accumulation (acc), monthly distribution (Mdis), quarterly distribution (Qdis), semi-annually distribution (Bdis) and yearly distribution (Ydis), of the same Share Class.

The difference in the various Share Classes relates to the fee structure and/or the dividend policy applicable to each of them. Shares can be either Distribution or Accumulation Shares. The Board of Directors intends to distribute all of the income attributable to the Distribution Shares. No distribution of dividends shall be made for the Accumulation Shares, however the income attributable will be reflected in the increased value of the Shares. Dividends may be paid monthly, quarterly, semi-annually or annually. Further details are provided in the following sections, as well as in the "Dividend Policy" section.

The purchase proceeds of the various Share Classes of a Fund are invested in one common underlying portfolio of investments but the Net Asset Value of each Share Class will be different as a result of differences in the issue price, fee structure and dividend policy.

Distribution will be made in the respective currency denomination of the Share Classes.

**Class AS Shares** may only be offered for distribution in Singapore to CPF Investors through distributors, platforms, Brokers/Dealers, professional investors and in limited circumstances to other investors at the discretion of the Principal Distributor. In this context, Class AS Shares may be offered through investment-linked insurance products under the Singapore's CPF Investment Scheme.

**Class C Shares** are primarily offered for subscription to retail Investors and are also available to Institutional Investors, in certain countries and/or through certain sub-distributors and/or Brokers/Dealers.

**Class D Shares** shall only be offered for distribution in certain countries and to selected distributors and/or Brokers/Dealers by invitation.

**Class I Shares** are only offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors).

**Class M Shares** shall only be offered for distribution in certain countries and to selected distributors and/or Brokers/Dealers by invitation.

**Class N Shares** may be offered for distribution in certain countries and/or through certain sub-distributors, Brokers/Dealers and/or professional investors at the discretion of the Principal Distributor, in which case any local supplement to this Prospectus or marketing material, including that used by the relevant intermediaries, will refer to the possibility and terms to subscribe for Class N Shares.

### **Class P1 and P2 Shares**

It is intended that the Directors will accept applications only from endowments, foundations, sovereign wealth funds, pension funds, insurers, fund of funds and family offices as long as such entities qualify as Institutional Investors investing a minimum of USD 10 million for **Class P1 Shares** for a limited time until the total Net Asset Value of the relevant Share Class(es) of the Fund (excluding seed capital) reaches USD 100 million (or equivalent in other currency), or such other amounts as specifically determined by the Management Company and disclosed on the Franklin Templeton website.

It is intended that the Directors will accept applications from Distributors, Brokers/Dealers, platforms, Institutional Investors and/or other Investors investing a minimum of USD 5 million for **Class P2 Shares** for a limited time until the total Net Asset Value of the relevant Share Class(es) of the Fund (excluding seed capital) reaches USD 200 million (or equivalent in other currency), or such other amounts as specifically determined by the Management Company and disclosed on the Franklin Templeton website.

Once a Shareholder is issued with Class P1 and/or P2 Shares, they shall remain eligible to subscribe into the same Fund and Share Class in perpetuity as long as they remain invested in the same Fund and/or Share Class. Once the total Net Asset Value of the Class P1 and P2 Share Classes available in a Fund reaches its relevant maximum total NAV threshold, the Class P1 and P2 Shares in that Fund will be closed to subscriptions from new Investors.

Investors should contact the Management Company or check the Franklin Templeton website for the current status of the relevant Funds or Share Classes, the Funds' specific exceptions to the Class P1 and P2 Shares thresholds stated above and for subscription opportunities that may occur.

**Class S Shares** shall only be offered to Institutional Investors, intermediaries, distributors, platforms and/or Brokers/Dealers subject to (i) a level of assets under management (or committing to raise such level of assets under management by way of a letter of intent) with Franklin Templeton in excess of USD 5 billion (or equivalent in other currency) and/or (ii) a level of assets under management in Franklin Templeton EU-domiciled fund umbrellas in excess of USD 1 billion (or equivalent in other currency) and/or (iii) a level of assets under management (or committing to raise such level of assets under management by way of a letter of intent) in excess of USD 50 million (or equivalent in other currency) in Class S Shares in the relevant Fund and which:

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU based on a separate fee arrangements with their clients for the provision of investment advice. Separate fee arrangement requirements may be waived for intermediaries in certain non-EU jurisdictions, at the discretion of the Management Company.

**Class T Shares** shall only be offered to Institutional Investors, intermediaries, distributors, platforms and/or Brokers/Dealers subject to (i) a level of assets under management (or committing to raise such level of assets under management by way of a letter of intent) with Franklin Templeton in excess of USD 5 billion (or equivalent in other currency) and/or (ii) a level of assets under management in Franklin Templeton EU-domiciled fund umbrellas in excess of USD 1 billion (or equivalent in other currency) and/or (iii) a level of assets under management (or committing to raise such level of assets under management by way of a letter of intent) in excess of USD 50 million (or equivalent in other currency) in Class T Shares in the relevant Fund.

**Class W Shares** are intended to be offered through intermediaries, distributors, platforms and/or Brokers/Dealers which:

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU based on a separate fee arrangements with their clients for the provision of investment advice. Separate fee arrangement requirements may be waived for intermediaries in Asia, at the discretion of the Management Company.

**Class X Shares** are only offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company or the Investment Manager(s) and/or its affiliates.

Class X Shares are, *inter alia*, designed to accommodate an alternative charging structure whereby a fee covering the investment management fees, as contemplated into section "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class X Shares.

Class X Shares will however bear their pro-rata share of any other applicable expenses such as the registrar, transfer, corporate, domiciliary and administration fees, depositary, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in sections "Management Company Remuneration" and "Other Company Charges and Expenses".

**Class Y Shares** may only be offered to Institutional Investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying Institutional Investors), in certain limited circumstances, at the discretion of the Management Company and/or its affiliates.

Class Y Shares are, *inter alia*, designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration fees, as contemplated into sections "Management Company Remuneration" and "Investment Management Fees", is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y Shares.

Class Y Shares will however bear their pro-rata share of any other applicable expenses such as depositary, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses as further described in section "Other Company Charges and Expenses".

**Class Z Shares** are intended to be offered through intermediaries, distributors, platforms and/or Brokers/Dealers which:

- cannot receive and retain any trail, commission, rebate or other similar fees (referred to as inducements) as a result of applicable local legal and/or regulatory prohibition (in the EU, those prohibitions are at least applicable to discretionary portfolio management and/or the provision of independent advice under MiFID), or
- have separate fee arrangements with their clients for the payment of non-independent advice services further to which it does not receive and retain inducements, or
- perform distribution activities outside of the EU.

**The Company and the Management Company will not issue, execute a switch of or transfer Shares to any Investor who is deemed not to meet the above eligibility requirements. If it is identified at any time that a holder of one or several of the above Share Classes does not qualify, or no longer qualifies, the Company or the Management Company may, at any time, decide to compulsorily redeem said Shares in accordance with the conditions and procedures set forth in the Articles.**

A complete list of available Shares Classes may be obtained from the Franklin Templeton Internet site <http://www.franklintempleton.lu> or upon request at the registered office of the Company and of the Management Company.

#### List of Qualifying Institutional Investors

- Institutional investors *stricto sensu*, such as banks and other regulated professionals of the financial sector, insurance and reinsurance companies, social security institutions and pension funds, charitable institutions, industrial, commercial and financial group companies, all subscribing on their own behalf, and the structures which such Institutional Investors put into place for the management of their own assets.
- Credit institutions and other regulated professionals of the financial sector investing in their own name but on behalf of Institutional Investors as defined above.
- Credit institutions and other regulated professionals of the financial sector established in Luxembourg or abroad which invest in their own name but on behalf of their non institutional clients on the basis of a discretionary management mandate.
- Collective investment undertakings established in Luxembourg or abroad.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholders are Institutional Investors as described in the foregoing paragraphs.
- Holding companies or similar entities, whether Luxembourg-based or not, whose shareholder(s)/ beneficial owner(s) is/are individual person(s) which is/are extremely wealthy and may reasonably be regarded as sophisticated investor(s) and where the purpose of the holding company is to hold important financial interests/investments for an individual or a family.
- A holding company or similar entity, whether Luxembourg based or not, which as a result of its structure and activity has a true substance and holds important financial interests / investments.

#### Alternative Currency Classes

Share Classes may be offered in the following currencies:

- Euro (EUR)
- Singapore Dollar (SGD)
- US Dollar (USD)
- Canadian Dollar (CAD)

or any other freely convertible currency.

The Net Asset Value of Alternative Currency Share Classes will be calculated and published in the alternative currency and purchase payments for such Share Classes are to be paid by the Investors, and sale proceeds are paid to selling Investors, in such alternative currency, unless otherwise authorised under the Prospectus. The Company does not currently intend to hedge the currency risks to which these Classes are exposed.

The terms and conditions applicable to the Share Classes available in alternative currency are the same as those which apply for the same Share Classes offered in the base currency.

The Board of Directors may decide to offer an Alternative Currency Share Class in another currency than those mentioned above in which case the Prospectus will be updated.

#### Hedged Share Classes

In respect of Hedged Share Classes, the base currency exposure of the Fund may be hedged into the Hedged Share Class' alternative currency to reduce exchange rate fluctuations and to reduce return fluctuations. Hedged Share Classes will contain the abbreviation H1 in their denomination.

The terms and conditions applicable to the Hedged Share Classes are the same as those which apply for the same Share Classes offered in the base currency, the only difference being the hedging of the base currency of the Fund into the Hedged Share Class alternative currency for the amount attributable to the considered Share Class.

Currency hedging techniques may be used at Share Class level and may be carried out by the relevant Investment Manager(s) or by JPMORGAN CHASE BANK, N.A., London Branch (the "Currency Administrator"). In this context, the Investment Manager(s) or Currency Administrator will limit hedging to the extent of the relevant Hedged Share Class selected currency exposure. Over-hedged positions will not normally exceed 105% of the Net Asset Value of the relevant Hedged Share Class and under-hedged positions shall not normally fall short of 95% of the portion of the Net Asset Value of the relevant Hedged Share Class which is to be hedged against selected currency risk. Hedged positions will be reviewed on an on-going basis by the Investment Manager(s) or Currency Administrator, to ensure that over-hedged or under-hedged positions do not exceed/fall short of the permitted levels outlined above. In the event that the hedging in respect of a Hedged Share Class exceeds permitted tolerances due to market movements or Subscription/Redemptions of Shares, the Investment Manager(s) or Currency Administrator shall adjust such hedging appropriately.

Shareholders should also note that generally there is no segregation of assets and liabilities between Share Classes and therefore a counterparty to a derivative overlay entered into in respect of a Hedged Share Class may have recourse to the assets of the relevant Fund attributable to other Share Classes of that Fund where there is insufficient assets attributable to the hedged Share Class to discharge its liabilities. While the Company has taken steps to ensure that the risk of contagion between Share Classes is mitigated in order to ensure that the additional risk introduced to the Fund through the use of a derivative overlay is only borne by the Shareholders in the relevant Share Class, this risk cannot be fully eliminated.

## **Entry Charge and Contingent Deferred Sales Charge**

### **Class A Shares**

#### **- Entry Charge**

The price at which Class A Shares will be offered is the Net Asset Value per Share, plus an entry charge based on the total amount invested, varying per asset class as follow:

- Equity Funds: up to 5.75%
- Fixed Income Funds: up to 5.00%
- Multi-Asset Funds: up to 5.75%

Out of this charge the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton. The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the relevant Fund.

If in any country in which the Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may sell Class A Shares, and may authorize sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Class A Shares, within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

#### **- Qualified Investments of USD 1 Million or More**

In relation to qualified investments of USD 1 million or more in respect of Class A Shares, the entry charge may be waived and a Contingent Deferred Sales Charge ("CDSC") of up to 1% may apply if an Investor sells Shares within 18 months after each investment in order to recover commissions paid to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors. The CDSC is up to 1.00% of the total cost of such Shares (exclusive of reinvested dividends distributions), and is retained by the Principal Distributor. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

Qualified investments are investments made either as a lump sum or through cumulative orders of the Investor, his spouse, his children and/or grandchildren if they are under the age of 18. For the purpose of the application of the qualified investments rules, shareholdings in other investment funds offered by Franklin Templeton may be combined at the Investor's request. Information on the investment funds which shares may be combined, and details of the procedure, terms and conditions applicable may be obtained from the Management Company upon request.

No switch with Shares of other Classes will be allowed for Shares subject to such contingent deferred sales charge.

### **Class AS Shares**

The price at which Class AS Shares will be offered is the Net Asset Value per Share. The Principal Distributor does not apply an entry charge on purchases of Class AS Shares.

### **Class C Shares**

The price at which Class C Shares will be offered is the Net Asset Value per Share. Purchases of Class C Shares are not subject to an entry charge. However, Class C Shares are subject to a CDSC of 1.00% if an Investor sells Shares within one (1) year of purchase. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

### **Class D Shares**

The price at which Class D Shares will be offered is the Net Asset Value per Share. Purchases of Class D Shares are subject to a Contingent Deferred Sales Charge ("CDSC") of up to 0.50% if an Investor sells Shares within four (4) years of purchase. The way this charge is calculated is more fully described in the section "Calculation of CDSC".

### **Class I, M, P1, P2, S, T, W, X, Y and Z Shares**

The price at which Class I, M, P1, P2, S, T, W, X, Y and Z Shares will be offered is the Net Asset Value per Share. The Principal Distributor does not apply an entry charge nor CDSC on purchases of Class I, M, P1, P2, S, T, W, X, Y and Z Shares.

For clarity sake, in compliance with applicable laws, regulations and market practice, intermediaries or distributors selling Class S, T, W, X, Y and Z Shares may apply their own selling charges. Investors shall consult their intermediary, distributors or own financial adviser to find more information about such charges (for Class W and Z Shares, such charges should not exceed 5.75% of the total amount invested).

### **Class N Shares**

#### **- Entry Charge**

The price at which Class N Shares will be offered is the Net Asset Value per Share, plus an entry charge of up to 3.00% of the total amount invested. This entry charge will apply for all different asset classes. Out of this charge the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton. The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the relevant Fund.

If in any country in which the Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may sell Class N Shares, and may authorise sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Class N Shares, within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

#### Calculation of CDSC

The CDSC applicable for qualifying A and D Shares, is based on the Net Asset Value of the Shares when purchased. The CDSC for applicable C Shares is based on the Net Asset Value of the Shares being sold or their Net Asset Value when purchased, whichever is less. The calculation is made based on the relevant currency of the Shares being sold. There is no CDSC on Shares acquired through reinvestment monies. To keep the CDSC as low as possible, each time an instruction to sell Shares is placed, any Shares in the Investor's Holding not subject to a CDSC will be sold first. If there are not enough of these to meet the request, additional Shares will be sold in the order they were purchased. The amount of the CDSC is calculated by multiplying the percentages indicated in the chart displayed in Appendix F by the Net Asset Value of the Shares being sold or their Net Asset Value when purchased, whichever is applicable.

The holding period for the purposes of applying a CDSC on Shares of a particular Fund acquired through a switch of Shares from another Fund will be measured from the date that such Shares were initially acquired in the other Fund.

**Amounts assessed as a CDSC are paid to the Principal Distributor, or such other party as the Company may from time to time appoint to defray distribution costs incurred by the Principal Distributor or such other party. The CDSC may be waived in whole or in part by the Principal Distributor and/or such other party at its discretion either for individual Investors or for particular groups of Investors. The Company has committed to pay to the Principal Distributor or the relevant third party the CDSC at the rates set forth in Appendix F of this Prospectus net of any taxes. In case any taxes would be payable on said amounts, the amount of CDSC would be decreased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Prospectus, no reason to believe that any taxes are due or levied on the CDSC.**

#### Specific features of Share classes

Specific features of the Share classes offered are provided in the table below.

| Invest or Category    | Retail / Institutional             |  |               | Institutional  |               |  |
|-----------------------|------------------------------------|--|---------------|----------------|---------------|--|
| Share Class Overview  | Classes A, AS, C, D, M, N, W and Z | Classes S, T   | Classes P2    | Classes P1     | Class I       | Classes X and Y  |
| Minimum Investment    | USD 1,000                          | Details available from the Company or the Management Company | USD 5,000,000 | USD 10,000,000 | USD 5,000,000 | Details available from the Company or the Management Company |
| Subsequent Investment | USD 1,000                          | Details available from the Company or the Management Company | USD 1,000     | USD 1,000      | USD 1,000     | Details available from the Company or the Management Company |

#### HOW TO PURCHASE SHARES

##### How to Apply

Prospective Investors should complete an application form and send it together with applicable identification documents (as detailed in the application form) to the Transfer Agent in order to purchase Shares for the first time. Applications may also be accepted by telephone, facsimile, or electronic request if expressly allowed by the Management Company. The Management Company and/or the Transfer Agent may request the original signed application form and identification documentation to be mailed, in which case it may delay the processing of the application form until their receipt. Applications will be accepted at the discretion of the Board of Directors or the Management Company.

Processing of all application forms received by a relevant Distributor will only commence once they have been forwarded to the Transfer Agent or to a Distributor duly authorised in writing.

Investors should also provide the documentation required for anti-money laundering and counter-terrorist financing purposes and as more fully described in the section "Anti-Money Laundering and Counter-Terrorist Financing Legislation".

In addition, the Company and/or the Management Company reserves the right to request additional information and/or documentary evidence from Investors if their bank account is located in a country other than their country of residence, which may result in a delay in the processing of purchase and/or any other transaction until relevant and satisfactory information and/or documentation is received.



The Company or the Management Company reserves the right to request additional information and/or confirmation from the Investor for large purchases into Class C Shares, which may result in a delay in the processing of the investment until receipt of the requested information/confirmation. Distributors subscribing for Shares in their own names and on behalf of underlying Investors are permitted to purchase Class C Shares in their own name on behalf of Investors provided that they have received explicit prior approval from the Management Company to do so and do apply an agreed procedure to monitor the aging of these Shares.

By applying for Class I, P1, X and/or Class Y Shares, Investors represent to the Company and the Management Company that they qualify as one or more of the types of Institutional Investor(s) as listed in the section "Share Classes" and undertake to indemnify the Company, the Management Company and/or any other entity of Franklin Templeton against any and all damages, losses, costs or other expenses they may incur as a result of acting in good faith of such a representation.

Each Investor will be given a personal Investor Portfolio Number which should be quoted, along with any relevant transaction references where applicable, whenever contacting the Company, the Transfer Agent and/or the Management Company.

#### **Instructions to Purchase**

Initial purchase instruction for Shares should be made on the application form or any other similar application form accepted by the Transfer Agent. For subsequent purchase in an existing Investor Portfolio, no further application form is required. However, private individual Investors instructing Franklin Templeton directly without using Brokers/Dealers are required to complete and sign a standard purchase form (available from our website or upon request). Any subsequent instruction to purchase Shares may be made by telephone, facsimile or electronic request, if expressly allowed by the Management Company. The Management Company may request a written and duly signed confirmation of the subsequent purchase instructions which may result in delay in the processing of the investment until receipt of the requested written confirmation. Subsequent purchase instructions will be accepted at the discretion of the Board of Directors or the Management Company.

Investors must receive and read the relevant KID prior to purchasing Shares. Where applicable, Brokers/Dealers are responsible for providing Investors with the appropriate KID. Please always contact your Brokers/Dealers before purchasing Shares. If you do not have Brokers/Dealers you should contact the Management Company or your local Franklin Templeton office which will provide you with an electronic or paper copy of the relevant KID.

Subsequent purchase instructions should be duly signed and:

- (a) state the name of the Fund(s), the Share Class, the Share Class ISIN code (available on the Franklin Templeton Internet site <http://www.franklintempleton.lu>) and number of Shares applied for in the Fund(s) (the number of Shares should be stated both in numbers and in words) or the amount (in numbers and in words) to be invested (which should include provision for any applicable entry charge);
- (b) state how payment has been or will be made; and
- (c) confirm that the relevant KID has been provided.

If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Fund(s) Share Class quoted in the instruction, the order will be executed on the basis of the ISIN code quoted.

The Company and/or the Management Company reserve the right to accept or refuse application form or any purchase instruction in whole or in part and for any reason. If any application form or purchase instruction is not accepted in whole or in part, the purchase monies will be returned to the Investor at the risk and cost of the Investor.

An Investor may not withdraw her/his request for purchase except in the event of a suspension of the valuation of the assets of the Company (see Appendix E) and, in such event, a withdrawal of a purchase instruction will be effective only if written notification is received by the Management Company and/or the Transfer Agent before termination of the period of suspension. Purchase monies will be returned to the Investor in such circumstances.

Neither the Company nor the Management Company shall be responsible or liable to any applicant or Investor for any loss resulting from the non-receipt of any application form or purchase instruction by whichever method it is sent (including non-receipt of facsimile application forms).

#### **Purchase Price**

At launch date, Shares of the Fund will be offered at USD 10, or currency equivalent (plus any applicable entry charge) of the total amount invested. From launch date onwards and for purchase instructions received and accepted by the Transfer Agent for any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), Shares will be issued at the relevant Net Asset Value per Share determined on this Dealing Day (plus any applicable entry charge). Purchase monies may be required to be received by the Transfer Agent or the relevant Distributor in cleared funds prior to processing of the instruction. In such case, the instruction will be processed on the basis of the Net Asset Value per Share determined on the Valuation Day that such funds are received by the Transfer Agent (plus any applicable entry charge).

Unless otherwise stated in local version of this Prospectus, local specific information document to be provided to Investors, application form or marketing document, a complete instruction for the purchase of Shares received and accepted by the Transfer Agent or by a duly authorized Distributor on a Dealing Day after the applicable Dealing Cut-Off Time will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (plus any applicable entry charge).

The Net Asset Value per Share will be calculated as detailed in the section "Calculation of the Net Asset Value" in Appendix E.

The Company, the Transfer Agent and/or the Management Company will inform the registered Shareholder of the price at which the Shares have been issued on their Contract Note (refer to "Contract Notes" section).

## **How to Pay**

Payments should be made by electronic bank transfer to the bank account set forth by the Principal Distributor (as detailed in the application form). Payments can be made in the currency of the Share Class. However, an Investor may, in certain instances as permitted by the Management Company, provide for payment in any other freely exchangeable currency, in which case, the necessary foreign exchange transaction will be arranged on behalf of, and at the expense of the Investor. Investors are advised that payments made in any other freely exchangeable currency may be delayed until the next Valuation Day to allow for currency conversion.

The Board of Directors is authorized to accept purchase of Shares in whole or in part in specie, having due regard to the requirements prescribed by the laws of the Grand Duchy of Luxembourg. In the event the Investor is unable to provide clear title on the assets the Company has the right to bring an action against the defaulting Investor.

The allotment of Shares is conditional upon receipt of purchase monies, including any applicable entry charge, which must be paid within three (3) Business Days of the Valuation Day (or such other timeframe as set out in the local fund related documentation or applicable dealing guide) unless the Board of Directors requires cleared funds on or prior to an application being accepted. Until full payment of settlement monies, the applicant for Shares does not have legal ownership of such Shares. Where an applicant for Shares fails to pay settlement monies on subscription or to provide a completed application form (for an initial application) by the due date, the Company and/or the Management Company may decide to redeem the relevant Shares, at the cost of the applicant or his/her distributor. The applicant for Shares may be required to indemnify the Company or the Principal Distributor against any loss, costs or expenses incurred directly or indirectly as a result of the applicant's failure to pay for Shares applied for or to submit the required documents by the due date.

Where payments are made by electronic transfer or bank wire, the Management Company shall not be responsible for reconciling remittances of purchase monies where problems occur in the transmission, or as a result of inadequate or incorrect details on the transfer instructions. Bank charges in connection with an electronic transfer may be deducted from the proceeds of the transfer by the remitting bank, correspondents, agents or sub-agents, and the receiving bank may also deduct bank charges from such remittance.

## **HOW TO SELL SHARES**

### **Instructions to Sell**

Shares of any Class in any Fund can be sold on any Dealing Day. Instructions to sell Shares should be submitted to the Transfer Agent in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction has not been submitted in writing, the Management Company and/or the Transfer Agent may request a written and duly signed confirmation of such instruction, in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

As provided for in the Articles and within the limits contained therein, when the Company become aware that a shareholder (A) is a US Person or is holding shares for the account or benefit of a US Person; (B) is holding shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages or other material disadvantages or negative impact for the Company, its shareholders or its delegates active in the investment management and advisory of the Company; (C) has failed to provide any information or declaration required by the Company, the Company will either (i) direct such shareholders to redeem or to transfer the relevant shares to a person who is qualified or entitled to own or hold such shares or (ii) redeem the relevant shares.

The instruction must contain details of the personal Investor Portfolio Number, the Fund name, the Share Class(es) including ISIN code (available on the Franklin Templeton Internet site: <http://www.franklintempleton.lu>), the number/value of Shares to be sold, the settlement currency and the bank details. If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted.

Any instruction to sell Shares may not be executed until any previous transaction involving the Shares to be sold has been completed and settled.

If the instruction would result in a Holding balance being less than USD 1,000 (or currency equivalent), the Company and/or the Management Company may redeem such Holding balance and pay the proceeds to the Investor.

The Company reserves the right not to be bound to accept the sale or switch on any Valuation Day more than 10% of the value of the Shares of any Fund. In these circumstances the sale of the Shares may be deferred for a period not exceeding ten (10) Luxembourg Business Days. These instructions to sell will be executed in priority to later instructions.

Neither the Company, nor the Management Company shall be responsible or liable to any Investor for any loss resulting from the non-receipt of any instruction to sell, by whichever method it is sent.

An Investor may not withdraw an instruction to sell Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix E) and, in such event, a withdrawal of the instruction to sell will be effective only if written notification is received by the Transfer Agent before termination of the period of suspension. If the instruction is not so withdrawn, the sale of the Shares will be made on the next Valuation Day following the end of the suspension.

### **Sale Price**

A complete instruction to sell received and accepted by the Transfer Agent or by a duly authorized Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day (less any applicable CDSC).

Unless otherwise stated in local version of this Prospectus, local specific information document to be provided to Investors, application form or marketing document, a complete instruction to sell received and accepted by the Transfer Agent or by a duly authorized Distributor on a

Dealing Day after the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day (less any applicable CDSC).

The Net Asset Value per Share will be calculated on the basis detailed in the section "Calculation of the Net Asset Value" in Appendix E.

#### **Payment of Sale Proceeds**

Payment for Shares sold will be made within five (5) Dealing Days (or such other timeframe as set out in the local fund related documentation or applicable dealing guide) after the instruction to sell has been received in good order and accepted by the Transfer Agent and will normally be made in the Share Class currency by electronic bank transfer of funds unless otherwise instructed. The Company and/or the Management Company, after careful due diligence, are not responsible for any delays or charges incurred at any receiving bank or settlement system, nor are they responsible for delays in settlement which may occur due to the time required for local processing of payments within some countries or by certain banks, local correspondent banks, payment agent or other agents. Payment may also be made in any freely exchangeable currency if requested within the instruction, at the cost and risk of the Investor.

If, in exceptional circumstances as described in Appendix E, the liquidity of the Fund does not permit payment of sale proceeds within five (5) Dealing Days from the relevant Valuation Day (or such other timeframe as set out in the local fund related documentation or applicable dealing guide), the sale proceeds will be paid as soon as reasonably practicable but without profit.

The Board of Directors is also authorized to extend the period for payment of sale proceeds to such period, not exceeding thirty (30) Luxembourg Business Days (shorter periods may however apply in some jurisdictions), as may be required by settlement and other constraints prevailing in the financial markets of countries in which a substantial part of the assets attributable to any Fund shall be invested, and this exclusively with respect to those Funds of the Company of which the investment objectives and policies provide for investments in equity securities of issuers in developing countries.

All payments are made at the Investor's risk with no responsibility on the part of the Distributors, the Investment Managers, the Management Company and/or the Company.

#### **Sale Fees and Charges**

Payments for Shares sold may be subject to a CDSC if the Shares are sold within a defined number of years from the issue of the Shares. Full details of CDSC are provided in the section "Share Classes" and Appendix F of this Prospectus.

#### **Sale in Specie**

With the prior consent of the Investor(s) concerned, and having due regard to the principle of equal treatment of Shareholders, the Board of Directors may satisfy the payment of sale proceeds in whole or in part in specie by allocating to the selling Investor(s) portfolio securities of the relevant Fund equal in value to the Net Asset Value of the Shares being sold.

### **HOW TO SWITCH SHARES**

A switch is a transaction to convert an Investor's Holding in a Share Class into another Share Class within the same Fund or the same Share Class or another Share Class in different Funds. The transaction is executed by selling Shares in the original Share Class followed by purchasing Shares in the new Share Class provided that the Investor's Holding meets the minimum investment requirements for both the existing and the new Fund or Share Class.

Investors may, under certain circumstances, switch Shares of the Company into shares or units of certain other investment funds of Franklin Templeton having a similar sales charge structure including same percentage of CDSC over the same period of time. Information on the investment funds into which Shares may be switched, and details of the procedure, terms and conditions for switch may be obtained from the Management Company upon request.

#### **Class A Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class A Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class.

Class A Shares subject to a CDSC can only be switched with Class A Shares subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch.

#### **Class AS Shares**

Class AS Shares can only be switched with Class AS Shares of another Fund which continues to issue Class AS Shares of the same currency and subject to such conditions imposed by the CPF Board from time to time.

#### **Class C Shares**

Class C Shares can only be switched with Class C Shares of another Fund which continues to issue Class C Shares of the same currency and subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class C Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class C Shares are not available in all Funds and the further issue of Class C Shares of the same currency of any Fund may be suspended at any time by the Board of Directors.

#### **Class D Shares**

Class D Shares can only be switched with Class D Shares of another Fund which continues to issue Class D Shares of the same currency and subject to the same CDSC. The aging of the Shares will be carried over to the new Share Class and no CDSC is payable at the time of such switch. No other Share Class is permitted to switch into Class D Shares.

Attention of Investors is drawn to this restriction that may limit their possibility to acquire Shares of another Fund through switching because Class D Shares are not available in all Funds and the further issue of Class D Shares of the same currency of any Fund may be suspended at any time by the Board of Directors.

#### **Class I Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class I Shares can be switched with Shares in any other Fund or Share Class. Only Institutional Investors can switch their Shares into Class I Shares.

#### **Class M Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class M Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class.

#### **Class N Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class N Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class.

#### **Class P1 Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class P1 Shares can be switched with Shares in any other Fund or Share Classes. Only Institutional Investors which fulfil the Class P1 Shares eligibility requirements as per the conditions laid down in section "Share Classes" can switch their Shares into Class P1 Shares.

#### **Class P2 Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class P2 Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class P2 Shares is only permitted to Investors instructing through Distributors, Brokers/Dealers, platforms, Institutional Investors and/or other Investors which fulfil the Class P2 Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class S Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class S Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class S Shares is only permitted to Investors instructing through certain distributors, Brokers/Dealers and/or professional Investors which fulfil the Class S Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class T Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class T Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class T Shares is only permitted to Investors instructing through certain distributors, Brokers/Dealers and/or professional Investors which fulfil the Class T Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class W Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class W Shares can be switched with Shares in any other Fund or Share Class subject to meeting Investor qualification criteria for that Share Class. Switching into Class W Shares is only permitted to Investors instructing through intermediaries, distributors, platforms and/or Brokers/Dealers which fulfil the Class W Shares eligibility requirements as per the conditions laid down in section "Share Classes".

#### **Class X Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class X Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class X Shares, subject to the conditions laid down in the section "Share Classes".

#### **Class Y Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class Y Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Only Institutional Investors can switch their Shares into Class Y Shares, subject to the conditions laid down in section "Share Classes".

#### **Class Z Shares**

Without prejudice to specific Share Class restrictions provided for in this section, Class Z Shares can be switched with Shares in any other Fund or Share Classes subject to meeting Investor qualification criteria for that Share Class. Switching into Class Z Shares is only permitted to Investors instructing through intermediaries, distributors, platforms and/or Brokers/Dealers which fulfil the Class Z Shares eligibility requirements as per the conditions laid down in section "Share Classes".

## **Instructions to Switch**

An instruction to switch Shares should be submitted to the Transfer Agent in writing or, if expressly permitted, by telephone, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors, except where sole signatory authority has been granted or where a power of attorney has been communicated to the Management Company. If an instruction is not submitted in writing, the Management Company and/or the Transfer Agent may request a written and duly signed confirmation of such instruction in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

No application form is required for Switching Shares. However, private individual Investors instructing Franklin Templeton directly without using Brokers/Dealers will need to complete and sign a standard switch form (available from our website or upon request). The relevant KID must be provided to Investors prior to switching their Shares. Where applicable, Brokers/Dealers are responsible for providing Investors with the appropriate KID. Please always contact your Broker/Dealer before switching Shares. If you do not have a Broker/Dealer you should contact the Management Company or your local Franklin Templeton office which will provide you with an electronic or paper copy of the relevant KID.

The instruction must contain details of the personal Investor Portfolio Number and the number/value of Shares to be switched between named Funds and Share Classes including the ISIN codes (available on the Franklin Templeton Internet site <http://www.franklintempleton.lu>) and also the confirmation that the relevant KID has been provided. If there is any discrepancy between the name of the Fund(s), the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted. Investors may switch Shares on any Dealing Day.

The minimum initial investment in the new Fund is USD 1,000 (or currency equivalent). Any instruction which would result in a Holding balance being less than USD 1,000 (or currency equivalent) may not be executed.

Any instruction to switch Shares may not be executed until any previous transaction involving the Shares to be switched has been completed and settled. Where the sale is settled prior to the purchase, the sale proceeds will remain in the Company's collection bank account pending settlement of the purchase. No profit will accrue to the benefit of the Investor.

Any instruction to switch Shares between Funds denominated in differing currencies will be executed on the same Valuation Day. However, in exceptional circumstances, the Company or the Management Company may, at its own discretion, require one (1) additional Business Day in order to process the switch transactions. The Company reserves the right not to be bound to switch on any Valuation Day more than 10% of the value of the Shares of any Fund. In these circumstances the switch may be deferred for a period not exceeding ten (10) Business Days. These instructions to switch will be executed in priority to later instructions.

In certain limited circumstances as well as for distributions in certain countries and/or through certain sub-distributors and/or professional investors, the Company or the Management Company may require one (1) additional Business Day in order to process switch transactions. The additional day may be required for operational reasons in cases where currency conversion is required.

An Investor may not withdraw an instruction to switch Shares except in the event of a suspension of the valuation of the assets of the Company (see Appendix E) and, in such event, a withdrawal of the instruction to switch will be effective only if written notification is received by the Transfer Agent before termination of the period of suspension. If the instruction is not so withdrawn, the switch of the Shares will be made on the next Valuation Day following the end of the suspension.

## **Switch Price**

A complete switch instruction received and accepted by the Transfer Agent or by a duly authorized Distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A), will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on this Dealing Day.

A complete switch instruction received and accepted by the Transfer Agent or by a duly authorized Distributor on a Dealing Day after the applicable Dealing Cut-Off Time, will be dealt with on the basis of the Net Asset Value per Share of the relevant Share Class determined on the next Valuation Day.

The number of Shares issued will be based upon the respective Net Asset Value of the Shares of the two relevant Funds or Share Classes on the relevant Valuation Day(s).

## **Switch Fees and Charges**

A switch charge of up to 1.00% of the value of the Shares to be switched may be applied for distribution in certain countries and/or through certain Distributors and/or professional Investors. In the event this charge is applied details will be contained in any local supplement to this Prospectus or marketing materials. Such charge shall be automatically deducted when the number of Shares is calculated and paid by the Company.

In certain circumstances a switch from any one Fund or Share Class will necessitate a fee equivalent to the difference between the two levels of entry charges unless the Investor, as a result of prior switches, has already paid the entry charge rate differential. It is currently anticipated that any entry charge rate differential will be paid to the Principal Distributor, who may, in turn, pay a portion of each differential to Distributors, intermediaries, Brokers/Dealers and/or professional investor. However, the entry charge rate differential may be waived at the discretion of the Company and/or the Management Company.

## **HOW TO TRANSFER SHARES**

A transfer is a transaction for the purpose of transferring an Investor Holding to another Investor.

An instruction to transfer Shares should be submitted to the Transfer Agent in writing or by a duly signed Share transfer form together with, if issued, the relevant Share certificate to be cancelled, or if expressly permitted, by telephone, facsimile or electronic means. The instruction

must be dated and signed by the transferor(s), and if requested by the Company and/or the Management Company also signed by the transferee(s), or by persons holding suitable powers of attorney to act therefore.

Acceptance of the transfer by the Management Company and/or the Transfer Agent will be subject to the transferee(s) having an accepted application by the Company, and meeting all Fund and Share Class eligibility requirements.

Any request to transfer Shares will only be executed once any previous transaction involving the Shares to be transferred has been completed and full settlement on those Shares received.

If the transfer instruction would result in a Holding balance being less than USD 1,000 (or currency equivalent) the Company and/or the Management Company may redeem such Holding balance and pay the proceeds to the Investor.

The Shares are freely transferable. The Articles provide that the Board of Directors is entitled to impose restrictions as they may think necessary for the purposes of ensuring that no Shares are acquired or held by (a) any person in violation of or subject to the applicable laws or regulations of any country or government authority or (b) any person in circumstances which, in the opinion of the Board of Directors, might result in the Company incurring any liability of taxation or suffering any other disadvantage which the Company might not otherwise have incurred.

The Shares transferred may be subject to specific conditions, including CDSC. Investors should ensure that they are aware of all specific conditions applicable to such Shares.

## **DIVIDEND POLICY**

In respect of all Funds which issue Distribution Shares, it is the intention of the Board of Directors to distribute substantially all of the income attributable to the Distribution Shares. Subject to any legal or regulatory requirements, dividends may also be paid out of the capital of such Funds. Subject to any legal or regulatory requirements, the Board of Directors reserves the right to introduce new Share Classes, which may retain and re-invest their net income.

Annual dividends may be declared separately in respect of each Fund at the Annual General Meeting of Shareholders.

Interim Share dividends may be paid upon a decision of the Board of Directors and/or the Management Company in relation to any of the Funds.

It is anticipated that distributions will be made under normal circumstances as set out in the table below:

| Share type          | Share name   | Payments   |
|---------------------|--|--|
| Accumulation Shares | A (acc), AS (acc), C (acc), D (acc), I (acc), M (acc), N (acc), P1 (acc), P2 (acc), S (acc), T (acc), W (acc), X (acc), Y (acc) and Z (acc)                | No distribution of dividends shall be made but the net income attributable will be reflected in the increased value of the Shares        |
| Distribution Shares | A (Mdis), AS (Mdis), C (Mdis), D (Mdis), I (Mdis), M (Mdis), N (Mdis), P1 (Mdis), P2 (Mdis), S (Mdis), T (Mdis), W (Mdis), X (Mdis), Y (Mdis) and Z (Mdis) | Under normal circumstances it is anticipated that distribution will be made monthly (following the end of each month)                    |
|                     | A (Qdis), AS (Qdis), C (Qdis), D (Qdis), I (Qdis), M (Qdis), N (Qdis), P1 (Qdis), P2 (Qdis), S (Qdis), T (Qdis), W (Qdis), X (Qdis), Y (Qdis) and Z (Qdis) | Under normal circumstances it is anticipated that distribution will be made quarterly (following the end of each fund financial quarter) |
|                     | A (Bdis), AS (Bdis), C (Bdis), D (Bdis), I (Bdis), M (Bdis), N (Bdis), P1 (Bdis), P2 (Bdis), S (Bdis), T (Bdis), W (Bdis), X (Bdis), Y (Bdis) and Z (Bdis) | Under normal circumstances it is anticipated that distribution will be made semi-annually (normally in November and in May each year)    |
|                     | A (Ydis), AS (Ydis), C (Ydis), D (Ydis), I (Ydis), M (Ydis), N (Ydis), P1 (Ydis), P2 (Ydis), S (Ydis), T (Ydis), W (Ydis), X (Ydis), Y (Ydis) and Z (Ydis) | Under normal circumstances it is anticipated that distribution will be made yearly (normally in November each year)                      |

In order to receive dividends on Distribution Shares, Investors must be registered as holders of such Distribution Shares on the register of Shareholders on the Valuation Day determined by the Company as being the distribution accounting date.

Dividends of registered Distribution Shares will normally be reinvested in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate, unless otherwise stated in the application form. Such further Distribution Shares will be issued on the ex-dividend date. The price will be calculated in the same way as for other issues of Shares of that Fund on the Valuation Day on which the price of the Distribution Shares of that Fund goes ex-dividend. Fractional Shares will be rounded to three decimal places. No entry charge will be payable. Investors not wishing to use this reinvestment facility should complete the appropriate section of the application form. In the event that cash dividends are payable they will be paid to holders of registered Distribution Shares who have elected to receive dividends in cash, payment normally being made by transfer of funds. Dividends to be paid in any other freely exchangeable currency will be converted at the Investor's expense.

When dividends of USD 250 (or currency equivalent) or less cannot be paid to a registered Investor due to missing data or payment unable to be effected, the Company or the Management Company reserves the right, unless otherwise disclosed in a local supplement to the Prospectus, to automatically re-invest such dividends and any subsequent dividends to be paid in the purchase of further Distribution Shares of the Fund and Share Class to which such dividends relate until receipt of instructions in good order from the Investor.

If a dividend has been declared but not paid within a period of five (5) years, the Company will, as it is entitled to do under the laws of the Grand Duchy of Luxembourg, declare the dividend forfeited and such unpaid dividend will accrue for the benefit of the relevant Fund.

In respect of each dividend declared, the Board of Directors and/or the Management Company may determine if, and to what extent, such dividend is to be paid out of realised and unrealised capital gains and in the case of Funds which distribute income gross of expenses from initially subscribed capital, regardless of capital losses, increased or decreased, as the case may be, by the portion of investment income and capital gains attributable to Shares issued and to Shares redeemed.

**It should be remembered that dividend distributions are not guaranteed, that the Funds do not pay interest and that the price of Shares in the Funds and any income earned on the Shares may go down as well as up. It should also be remembered that any dividend distribution lowers the value of the Shares in the Funds by the amount of the distribution. Future earnings and investment performance can be affected by many factors, including changes in exchange rates, not necessarily within the control of the Company, its Board of Directors, officers, the Management Company or any other person. No guarantees as to future performance of, or future return from, the Company can be given by the Company itself, or by any Director or officer of the Company, by the Management Company, by Franklin Templeton, or any of its worldwide affiliates, or by any of their directors, officers or employees.**

#### **Equalisation of Income**

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issues and the costs of sale of Shares, equivalent on a per Share basis to the amount of undistributed net investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed net investment income per Share is unaffected by issues or redemptions of Shares. However, in respect of any Fund offering only Accumulation Shares, the Board of Directors and/or the Management Company reserve the right not to apply equalisation.

#### **MANAGEMENT COMPANY REMUNERATION**

For providing management company and ancillary services, the Management Company receives an annual fee from the Company of up to 0.20% of the Net Asset Value of the relevant Share Class and an additional amount (consisting of a fixed and variable component) per Investor Holding at the relevant Share Class level over each one (1) year period. Such remuneration will be calculated and accrued daily and will be paid monthly in arrears. Management company and ancillary services include but are not limited to, the performance of investment risk management and governance services (including but not limited to monitoring activities on the performance of delegated activities of the Funds, compliance and legal services, money laundering controls, regulatory oversight, internal audit, corporate, domiciliary and administrative functions) for the Company. This annual fee covers any remuneration paid to (i) J.P. Morgan SE, Luxembourg Branch for its services rendered to the Company as Administrative Agent and (ii) Virtus Partners Fund Services Luxembourg S.à r.l. for its services rendered to the Company as Registrar and Transfer Agent.

Pursuant to Article 111bis of the Law of 17 December 2010, the Management Company has established and apply a remuneration policy which is consistent with, and promote sound and effective risk management. Such policies and practices must not encourage risk taking which is inconsistent with the risk profile, Prospectus or Articles of the Company, and must not impair compliance with the Management Company's duty to act in the best interest of the Company.

The remuneration requirements apply to categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Management Company or the Company. The remuneration includes a fixed (essentially the base salary) and variable component (annual bonuses). The level of funding of the annual bonus (which can be paid in cash, equity awards or a combination of both) is dependent on overall FRI corporate performance, is approved by a compensation committee and is granted with reference to the actual performance of the relevant individual. A significant portion of the bonus can be deferred for at least three years and payment of bonus is subject to claw back provisions.

The details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, how it is consistent with the integration of sustainability risks, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the compensation committee is available on the Internet site: <http://www.franklintempleton.lu> (a paper copy will be made available free of charge upon request).

#### **INVESTMENT MANAGEMENT FEES**

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum of each Fund's adjusted daily net assets during the year. Details of investment management fees are provided in Appendix F. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.

In certain Company related documents and/or electronic media, the relevant aforementioned investment management fee plus maintenance charges where applicable to a Share Class may be combined and expressed as an "annual management charge" for ease of administration/comparison.

The Management Company and/or the Investment Managers may, from time to time, pay a part of the investment management fee to various sub-advisers, sub-distributors, intermediaries, brokers, professional investors and/or assimilated entities which may or may not be part of Franklin Templeton. Such payments are intended to compensate such sub-distributors, brokers or other intermediaries for providing distribution or other services to the Investors, including but not limited to the enhancement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services. Any request for additional information regarding any such payments should be addressed by the Investors to their relevant intermediaries.

Consistent with obtaining best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to Brokers/Dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such Brokers/Dealers. The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the views and information of individuals and research staffs of other

firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Managers.

The Investment Managers may enter, with Brokers/Dealers that are entities and not individuals, into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Managers, including the Company, and where the Investment Managers are satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interest of the Company. Any such arrangement must be made by the Investment Managers on terms commensurate with best market practice. The use of soft commissions shall be disclosed in the periodic reports.

#### **OTHER COMPANY CHARGES AND EXPENSES**

The Principal Distributor may be entitled to receive any applicable entry charge, of up to 5.75% of the total amount invested as further described in the section "Share Classes". The entry charge shall in no case exceed the maximum permitted by the laws, regulations and practice of any country where the Shares are sold.

The Principal Distributor may enter into contractual arrangements with various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of Shares outside the United States of America. Payments of fees or commissions to various sub-distributors, Brokers/Dealers or other intermediaries may be made out of the maintenance charges or other related similar fees normally paid to the Principal Distributor, when such payments are expected to enhance the quality of the distribution or other services provided to the Investors, including but not limited to the improvement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services.

The Shariah Supervisory Board shall be entitled, for its Shariah advisory services in relation to each Fund, to receive an annual fee of USD 15,000 per Fund to be paid out of the expenses of each Fund.

IdealRatings, Inc. in its capacity as Shariah Screening Provider will receive as remuneration from each Fund an annual fee of USD 10,000 plus an additional amount up to 0.05% of the total assets under management of the relevant Fund.

As remuneration for the services rendered to the Company as Depositary Bank, J.P. Morgan SE, Luxembourg Branch will receive an annual fee depending on the nature of the investments of the different Funds in a range from 0.001% to 0.005% of the net asset values of the assets of the different Funds, with possible higher depositary annual fees for those Funds the investment objectives and policies of which provide for investments in securities of issuers in developing countries, as reflected in more detail in the Funds' relevant total expense ratio (TER) and in the Company financial reports. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary Bank by the Company.

Such fees do not include normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Company as well as any reasonable out-of-pocket expenses incurred in connection with the Company, and chargeable to the Company and fees for other services as agreed from time to time. The amounts effectively paid will be shown in the Company's financial statements.

The Company bears its other operational costs including, but not limited to, the costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, reporting and publication expenses, postage, telephone and facsimile expenses. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund. The Company may, from time to time, pay certain fees to the Management Company for onward allocation to various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors relating to placing certain Funds on sales platforms designed to bring about a wider distribution of Fund Shares. Such costs would only be allocated among the Funds placed on such platforms.

All charges and expenses pursuant to the above are exclusive of value added taxes or other taxes chargeable thereon, which should be paid by the Fund as required.

#### **SERVICING AND MAINTENANCE CHARGES**

##### **Servicing Charge**

A servicing charge may be applicable depending on the Share Class invested in. The charge is applied to the average Net Asset Value and is paid to the Principal Distributor and/or other party in order to compensate the Principal Distributor and/or other party for any financing costs and expenses incurred by it in connection with sales of Shares and the handling of CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor and/or other party.

The Company has committed to pay the Principal Distributor or the relevant third party the servicing charge at the rates as provided in Appendix F, net of any taxes. In case any taxes would be payable on said amounts, the amount of servicing charge would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Prospectus, no reason to believe that any taxes are due or levied on the servicing charge.

Full details of servicing charges are provided in Appendix F.

##### **Maintenance Charges**

A maintenance charge of up to a certain percentage per annum of the applicable average Net Asset Value is deducted and paid to the Principal Distributor, in order to compensate the Principal Distributor for any expenses incurred by it in connection with Investors liaison and administration of the Shares and the handling of CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.



The Principal Distributor may pay part or all of this maintenance charge to various third party sub-distributors, intermediaries, Brokers/Dealers. It may also, in its sole discretion, pay all or part of this maintenance charge to Institutional Investors which satisfy certain conditions, including minimum investment amounts.

Full details of maintenance charges are provided in Appendix F.

## **TAXATION OF THE COMPANY**

The following information is based on the laws, regulations, decisions and practice currently in force in the Grand Duchy of Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of Shares and is not intended as tax advice to any particular Investor or potential Investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than the Grand Duchy of Luxembourg. Investors should inform themselves of and, when appropriate, consult their professional advisors on the possible tax consequences of purchasing, buying, holding or disposing of Shares under the laws of their country of citizenship, residence, domicile or incorporation.

The Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income and is not subject to the Grand Duchy of Luxembourg's net wealth tax.

The Company, however, is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax. Class I, Class X and Class Y Shares may qualify for the reduced tax rate of 0.01% if all the Investors of these Share Classes are respectively Institutional Investors.

No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of the Shares in the Company. A EUR 75 registration duty is to be paid upon incorporation and each time the Articles are amended.

Under current laws and practice, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws.

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin at varying rates. The Company may benefit in certain circumstances from double taxation treaties, which the Grand Duchy of Luxembourg has concluded with other countries.

## **WITHHOLDING TAX**

Distributions made by the Company are not subject to withholding tax in the Grand Duchy of Luxembourg.

## **TAXATION OF INVESTORS**

Investors should note that certain Share Classes may make distributions from capital, net realised and net unrealised capital gains as well as income gross of expenses. This may result in Investors receiving a higher dividend than they would have otherwise received and therefore Investors may suffer a higher income tax liability as a result. In addition, in some circumstances, this may mean that the Fund pays dividends from capital property as opposed to income property. Such dividends may still be considered income distributions for tax purposes in the hands of Investors, depending on the local tax legislation in place. Investors should seek their own professional tax advice in this regard.

### **Luxembourg**

Investors are currently not subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in the Grand Duchy of Luxembourg (except for Investors domiciled, resident or having a permanent establishment in the Grand Duchy of Luxembourg).

### **Automatic Exchange of Financial Account Information**

On 29 October 2014, the Grand Duchy of Luxembourg signed the Multilateral Competent Authority Agreement (the "MCAA") on the implementation of the Global Standard for the automatic exchange of financial account information. By signing the MCAA, Luxembourg agreed to implement regulations to enable the adoption of automatic exchange of information with other MCAA signatory countries.

On 9 December 2014, the European Council adopted Directive 2014/107/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2014/107/EU provides for the automatic exchange of account information between Member States of the European Union ("EU Member States"), reporting commenced in 2017 in relation to accounts held in the 2016 calendar year. Directive 2014/107/EU has been implemented in the Grand Duchy of Luxembourg by the law of 18 December 2015 relating to the automatic exchange of financial account information in tax matters (the "2015 Law"), which was effective from 1 January 2016.

Investors are hereby notified that the Company may be required by Luxembourg law to report details of specified accounts of account holders resident in EU Member States or MCAA signatory jurisdictions. The Luxembourg Tax Authorities may share such account data in accordance with Directive 2014/107/EU and the MCAA with the Tax Authorities of other EU Member States and MCAA signatory jurisdictions, where the account holder is tax resident. The information which may be reported includes, in the case of an individual, the reportable person's name, address, tax identification number, date and place of birth, balance of the account and the total gross amount paid or credited to the account in respect of the relevant reporting period.

The foregoing is only a summary of the implications of Directive 2014/107/EU, the MCAA and the 2015 law. The summary is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of Directive 2014/107/EU, the MCAA and the 2015 law.

### **FATCA**

The Foreign Account Tax Compliance Act ("FATCA"), which is an amendment to the US Internal Revenue Code, was enacted in the United States in 2010 and many of the operative provisions became effective on 1 July 2014. Generally, FATCA requires financial institutions outside the US ("foreign financial institutions" or "FFIs") to provide the US Internal Revenue Service ("IRS") with information about financial accounts held directly or indirectly by certain specified US persons. A 30% withholding tax is imposed on certain types of US source income paid to an FFI that fails to comply with FATCA. On 28 March 2014, the Grand Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America and a memorandum of understanding in respect thereof. The Company hence has to comply with such Luxembourg IGA, as implemented into Luxembourg law by the law of 24 July 2015 relating to FATCA (the "FATCA Law") in order to comply with the provisions of FATCA rather than directly complying with the US Treasury Regulations implementing FATCA. Under the FATCA Law and the Luxembourg IGA, the Company will be required to collect information aiming to identify its direct and indirect Shareholders that are US Persons for FATCA purposes ("reportable accounts"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America pursuant to Article 28 of the convention between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes in Income and Capital, entered into in Luxembourg on 3 April 1996. The Company intends to comply with the provisions of the FATCA Law and the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed US investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the FATCA Law place upon it.

To ensure the Company's compliance with FATCA, the FATCA Law and the Luxembourg IGA in accordance with the foregoing, Franklin Templeton International Services S.à r.l., in its capacity as the Company's Management Company, may:

- a. request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a Shareholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such Shareholder's FATCA status;
- b. report information concerning a Shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a US reportable account under the FATCA Law and the Luxembourg IGA; and
- c. report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution.

### **United Kingdom**

It is intended that certain Share Classes offered by the Company will meet the conditions to qualify as "reporting" for the purposes of the United Kingdom tax legislation relating to offshore funds. The annual reports to investors will be made available on the Internet site: <http://www.franklintempleton.co.uk>. The list of such Share Classes may also be available on the above Internet site or may be obtained at the registered office of the Company.

### **MEETINGS AND REPORTS**

The Annual General Meeting is held at the registered office of the Company on 31 March of each year or, if such day is not a Luxembourg Business Day, on the Luxembourg Business Day immediately preceding the 31<sup>st</sup> day of March. Notices of general meetings and other notices (which shall include the place and time of the meetings, conditions of admission, agenda, quorum and voting requirements) are given in accordance with Luxembourg law. The requirements for attendance, quorum and majorities at all general meetings will be those specified in the Articles. The Board of Directors may decide in accordance with the Articles and applicable laws and regulations, to hold the Annual General Meeting at another date, time or place than as set forth above, which shall be communicated to the Shareholders by notice.

The audited annual reports and unaudited semi-annual reports will be available on the following Franklin Templeton Internet site, <http://www.franklintempleton.lu>, or may be obtained on request at the registered office of the Company and the Management Company; they are only distributed to registered Shareholders in those countries where local regulation so requires. The complete audited annual reports and unaudited semi-annual reports are available at the registered office of the Company and the Management Company. The accounting year of the Company ends on 31 October of each year.

### **INVESTOR VOTING RIGHTS**

At any general meetings of the Shareholders of the Company, each Shareholder will be entitled to one vote for each whole Share held, whatever Share Class and regardless of the Net Asset Value per Share within the Share Class(es).

A Shareholder of any particular Fund or Share Class will be entitled at any separate meeting of the Shareholders of that Fund or Share Class to one vote for each whole Share of that Fund or Share Class held, whatever Share Class and regardless of the Net Asset Value per Share within the Share Class(es).

In the case of joint Shareholders, only the first named Shareholder may vote, whom the Company may consider to be the representative of all joint Shareholders, except where a Shareholder has been expressly nominated by all joint Shareholders or where a written authority has been given.

The Company and the Management Company draw the Investors' attention to the fact that any Investor will only be able to fully exercise her/his Investor rights directly against the Company, notably the right to participate in general meetings of Shareholders if the Investor is registered himself and in her/his own name in the register of Shareholders of the Company. In cases where an Investor invests in the Company through an intermediary investing into the Company in her/his own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investors are advised to take advice on their rights.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Articles may be obtained at the registered office of the Company and of the Management Company.

## APPENDIX A

### STANDARD DEALING CUT-OFF TIMES

Unless otherwise disclosed in a local supplement to the Prospectus, any agreement or marketing material, requests for purchase, sale or switch of Shares (the "**Transactions**") received by one of the Franklin Templeton offices listed below on a Dealing Day before the appropriate Dealing Cut-Off Time will be dealt on that day on the basis of the net asset value per Share of the relevant Share Class calculated on that day.

#### **Standard Dealing Methods**

(in writing, by telephone, facsimile, or electronic request (including e-mail) if expressly allowed by the Management Company)

#### **Luxembourg office**

| <b>Main Countries covered</b>   | <b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b> |
|---|--|---|--|
| Any country where the Company is registered for distribution, unless mentioned below under another local Franklin Templeton office. | 18:00 CET  | 18:00 CET   | 18:00 CET  |

#### **Frankfurt office**

| <b>Main Countries covered</b>           | <b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b> |
|---|--|---|--|
| . Austria<br>. Germany<br>. Switzerland | 16:00 CET  | 16:00 CET   | 16:00 CET  |
| . the Netherlands                       | 18:00 CET  | 18:00 CET   | 18:00 CET  |

#### **Singapore office**

| <b>Main Countries covered</b>                          | <b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b> |
|--|--|---|--|
| . Hong Kong<br>. Macau<br>. Singapore<br>. South Korea | 16:00 SGT  | 16:00 SGT   | 16:00 SGT  |

#### **American office**

| <b>Main Countries covered</b>  | <b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b> |
|--------------------------------|--|---|--|
| . Caribbean<br>. Latin America | 16:00 EST  | 12:00 EST   | 12:00 EST  |

#### **Electronic Dealing**

(Swift, Direct Electronic link with Franklin Templeton or via Franklin Templeton electronic service if allowed by the Management Company)

| <b>Main Countries covered</b>   | <b>Dealing Cut-Off Time for transactions in the currencies of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in other acceptable currencies than the currency of the relevant Share Class</b> | <b>Dealing Cut-Off Time for transactions in Hedged Share Classes</b> |
|---|--|---|--|
| Any Country where the Shares of the Company can be distributed and/or where electronic service is available | 22:00 CET  | 22:00 CET   | 18:00 CET  |

Investors domiciled in countries not listed above but where transactions in Shares of the Company are allowed under all applicable laws and regulations should contact the client service's representative of the nearest Franklin Templeton office. This information is available on the Internet site <http://www.franklintempleton.lu>.

**Definitions:**

CET: Central Europe time

EST: Eastern Standard time (USA)

SGT: Singapore Standard time

## **APPENDIX B**

### **SHARIAH GUIDELINES**

The Funds shall at all times be managed in accordance with the guidelines below that shall apply in addition to the investment restrictions specified in Appendix C. In general, Shariah-compliant investment refers to contractual arrangements and investment guidelines that are in compliance with Shariah (as such guidelines shall be determined by the Shariah Supervisory Board). Subject to their investment objectives and policies, the Funds may only invest in transferable securities of companies whose business is permissible (*Halal*) and therefore not invest in the following forbidden sectors (*Haram*):

- Manufacturing or distributing alcohol or tobacco products;
- Gaming or gambling;
- Producing or distributing content for purely entertainment purposes through any medium;
- Manufacturing or distributing weapons and defense related products;
- Producing, processing, packaging or any other business activity relating to pork or pork products and other meats and poultry not specifically defined as acceptable products by Shariah;
- Conventional banking, insurance or any other interest related financial services activity; and
- Producing or distributing pornographic materials.

#### **Shariah-Compliance Screening**

##### **1. Securities and REITs Screening**

Shariah-compliance securities and REITs screening will apply to each Fund within the Company.

The Shariah Screening Provider chosen to perform the Shariah screening is IdealRatings, Inc. The Company may elect to change its Shariah Screening Provider in the future as appropriate, working in consultation with its Shariah Supervisory Board.

IdealRatings, Inc. has agreed to supply, on a quarterly basis and on an ad hoc basis, a list of companies screened according to criteria as required by the Company's Shariah Supervisory Board (the "**Criteria**"), as set forth below and as advised by Company's Shariah Supervisory Board from time to time.

The Criteria specifically agreed upon for the securities and REITs screening include but are not limited to the following:

##### **Business Activities Screening:**

Investment is not allowed in companies generating income from any of the following activities or in REITs generating income through tenants operating in any of the following activities where such activities represent more than 5% of their total income (cumulatively, in all such activities). Such activities are deemed to be "**prohibited activities**". Income that Islamic Financial Institutions derive from Financial Services will not be considered income from a prohibited activity. Islamic Financial Institutions will not be subject to the Financial Screening as defined further below.

##### **Prohibited Activities:**

Alcohol: distillers, vintners and producers of alcoholic beverages, including producers of beer and malt liquors, owners and operators of bars and pubs.

Tobacco: cigarettes and other tobacco products manufacturers and retailers.

Gambling / Casino: owners and operators of casinos and gaming facilities, including companies providing lottery and betting services.

Music: producers and distributors of music, owners and operators of radio broadcasting systems.

Cinema: companies engaged in the production, distribution, and screening of movies and television shows, owners and operators of television broadcasting systems and providers of cable or satellite television services.

Defense / Weapons: manufacturers of military aerospace and defense equipment, parts or products, including defense electronics and space equipment.

Pork related products: companies involved in the manufacture and retailing of pork products.

Conventional Financial Services: commercial banks involved in retail banking, corporate lending, investment banking; companies involved in mortgage and mortgage related services; providers of financial services, including insurance, capital markets and specialised finance; credit agencies; stock exchanges; specialty boutiques; consumer finance services, including personal credit, credit cards, lease financing, travel-related money services and pawn shops; financial institutions primarily engaged in investment management, related custody and securities fee-based services; companies operating mutual funds, closed-end funds and unit investment trusts; financial institutions primarily engaged in investment banking and brokerage services, including equity and debt underwriting, mergers and acquisitions; securities lending and advisory services institutions; and insurance and reinsurance brokerage firms, including companies providing property, casualty, life, disability, indemnity or supplemental health insurance.

Adult Entertainment: owners and operators of adult entertainment products and activities.

The Company retains the right to adjust the Business Activities Screening criteria listed above with the advice and consent of the Company's Shariah Supervisory Board, as appropriate.

#### Financial Screening:

Shariah investment principles do not allow investment in companies deriving significant income (more than 5%) from interest. For REITs, the sum of interest-bearing income generated from conventional investments should not exceed 5% of the net income generated by the REIT. Shariah investment principles also do not allow investment in companies or REITs that have excessive leverage. Measures of excessive leverage are defined as follows:

For companies:

- (a) Total conventional debt divided by total assets not to exceed 33.33%;
- (b) Sum of a company's cash and interest-bearing securities divided by total assets not to exceed 33.33%; and
- (c) Sum of a company's accounts receivables and cash divided by total assets not to exceed 33.33%.

For Franklin Shariah Technology Fund and the Franklin Shariah Global Multi-Asset Income Fund the following measures apply:

- (a) Total conventional debt divided by the higher of (i) total assets or (ii) average market capitalization over last 24 months, not to exceed 33%;
- (b) Sum of a company's cash and interest-bearing securities divided by the higher of (i) total assets or (ii) average market capitalization over last 24 months, not to exceed 33%.

None of the financial ratios may exceed the above stated thresholds. Securities will be considered non-compliant with respect to financial screening if any of the financial ratios exceed these thresholds.

For REITs: Total sum of conventional debt should not exceed 33% of the assets market value as valued by independent third-party valuers and reported in the REITs financial statements. If the assets market value is not available through independent provider or the market value of assets is below the book value assets book value is used in the screening. For the United States of America, Canada and Japan based REITs, enterprise value (EV) is used for the REIT asset valuation according to the following formula:  $EV = \text{Average Trailing 12 months Market Value of Common Shares} + \text{Preferred Equity} + \text{Liabilities} + \text{Minority Interest} - \text{Cash}$ .

No investment in fixed income preferred shares is allowed.

The Company retains the right to adjust the financial ratios above with the advice and consent of the Company's Shariah Supervisory Board, as appropriate.

*Other Permitted Investment (subject to prior approval at the time of first purchase from the Shariah Supervisory Board, as applicable, including the nature of these investments)*

- 1) Islamic money market instruments
- 2) Units or shares of Shariah-compliant UCITS
- 3) Islamic deposits with any credit institutions – in the event there is no Islamic deposit available, then the cash of Fund must be placed in a non-interest bearing account
- 4) Shariah-compliant Financial Derivative Instruments – Shariah-compliant credit linked notes

Note: The above list is not meant to be exhaustive. As the Islamic finance market is always evolving, the fund manager would be allowed to invest in newly introduced investment instruments if they are deemed as Shariah-compliant by the SSB.

## **2. Sukuk Screening**

The specific standards to select Sukuk investments will follow the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shariah standards.

Additionally, the Sukuk Screening Provider chosen to perform the sukuk screening is IdealRatings, Inc. The Company may elect to change its Shariah Screening Provider or Sukuk Rulebook in the future as appropriate, working in consultation with its Shariah Supervisory Board.

Where the Shariah Supervisory Board requests a change to the Shariah Guidelines, it shall give the Company and the Investment Managers a reasonable period of time to effect such change in the Prospectus in accordance with the requirements of any applicable law and regulation.

### **Purification of Prohibited Income**

The Shariah Supervisory Board will from time to time issue guidelines to quantify the annual amount of income of a Fund that should be donated to charity, being derived from eligible securities for investment pursuant to the investment objective, policy and restrictions set out in this Prospectus, but that are engaged in an activity or activities of a marginal nature which are not Shariah-compliant and which are not screened out by the Shariah restrictions. Such amount will be calculated on an annual basis, based on the purification ratios, expressed as a percentage of each target company's dividend payments. The resulting amount will be donated to a charity in accordance with the approved purification methodology and will be detailed in the Company's annual report. Any such amounts will be deducted only upon their actual determination and no anticipated accrual thereof shall be made. An up-to-date list of the relevant charities is available on request and free of charge at the registered office of the Company.

### **Zakat**

This refers to the purification by way of payment of zakat by Muslims. The Fund do not pay zakat on behalf of Muslim Investor. Each Muslim Investor is responsible for the payment of its own Zakat.

## **APPENDIX C**

### **INVESTMENT RESTRICTIONS**

Subject to the Shariah Guidelines, the assets of each Fund shall be managed in accordance with the following investment restrictions and policies which may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Company in which case this Prospectus will be updated.

The investment restrictions imposed by Luxembourg law must be complied with by each Fund. Those restrictions in paragraph 1. e) below are applicable to the Company as a whole. For the avoidance of doubt, all references to “bonds” or other financial instruments in this Appendix C shall read as references to Shariah-compliant instruments in accordance with the investment policy of the Funds and the applicable Shariah Guidelines.

However, the Board of Directors, the Management Company and the Investment Managers (based on the advices of the Shariah Supervisory Board) have determined that additional investment restrictions will apply at all times to each Fund of the Company, as set out under the Shariah Guidelines articulated in Appendix B and as may be amended from time to time.

#### **1. INVESTMENT IN TRANSFERABLE SECURITIES AND LIQUID ASSETS**

- a) The Company will invest in:
- (i) transferable securities and money market instruments admitted to or dealt in on a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments; and/or
  - (ii) transferable securities and Shariah-compliant money market instruments dealt in on another market in a Member State which is regulated, operates regularly and is recognised and open to the public;
  - (iii) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State or dealt in on another market in a non-Member State, which is regulated, operates regularly and is recognised and open to the public;
  - (iv) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or on another regulated market, in the countries of the areas referred to under (i), (ii) and (iii) above, which operates regularly and is recognised and open to the public, and such admission is secured within one year of the issue;
  - (v) units of UCITS and/or other UCIs, whether or not established in a Member State, provided that:
    - such other UCIs have been authorised under the laws of any Member State or under laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in EU law and that cooperation between authorities is sufficiently ensured,
    - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended,
    - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
    - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs.

For the purpose of this restriction and the limits set forth in 1.f) below, the following definitions shall apply:

"UCITS" shall mean an undertaking for collective investment in transferable securities authorised according to the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended;

"other UCI" shall mean an undertaking for collective investment or investment fund within the meaning of Article 1, paragraph (2), point a) and b) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended.

- (vi) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in EU law;
- (vii) Shariah-compliant Financial Derivative Instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in subparagraphs (i) to (iv) above, and/or Shariah-compliant Financial Derivative Instruments dealt in over-the-counter ("**OTC derivatives**"), provided that:
  - the underlying consists of instruments covered by this appendix under 1. a), financial indices, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives,



- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority,
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative, and/or
- (viii) Shariah-compliant money market instruments other than those dealt in on a regulated market and which fall under 1. a), if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
- issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
  - issued by an undertaking any securities of which are dealt in on regulated markets referred to above, or
  - issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by the EU law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by EU law, or
  - issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least 10 million euro and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which include one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- b) The Company may invest up to 10% of the net assets of any Fund in transferable securities and Shariah-compliant money market instruments other than those referred to in (a) above;
- c) Each Fund of the Company may hold ancillary liquid assets;
- d) (i) Each Fund of the Company may invest no more than 10% of its net assets in transferable securities and Shariah-compliant money market instruments issued by the same body. Each Fund of the Company may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in 1. a) (vi) above or 5% of its net assets in other cases.
- (ii) The total value of the transferable securities and Shariah-compliant money market instruments held in the issuing bodies in each of which any Fund invests more than 5% of its net assets must not exceed 40% of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph 1. d) (i), a Fund may not combine:

- investments in transferable securities or Shariah-compliant money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body,

in excess of 20% of its assets.

- (iii) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 35% where the Fund has invested in transferable securities or Shariah-compliant money market instruments issued or guaranteed by a Member State, by its local authorities, by a non-Member State or by public international bodies of which one or more Member States are members.
- (iv) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 25% 1. for covered bonds as defined under Article 3, point 1 of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (hereafter "**Directive (EU) 2019/2162**"), and 2. for certain bonds when they are issued before 8 July 2022 by a credit institution which has its registered office in a Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds issued before 8 July 2022 must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued profit.

If a Fund invests more than 5% of its net assets in the bonds above and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of the Fund.

- (v) The transferable securities and Shariah-compliant money market instruments referred to in paragraphs 1. d) (iii) and 1. d) (iv) are not included in the calculation of the limit of 40% referred to in paragraph 1. d) (ii).

The limit set out above under 1. d) (i), (ii), (iii) and (iv) may not be combined, and thus investments in transferable securities or Shariah-compliant money market instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with section 1. d) (i), (ii), (iii) and (iv) may not exceed a total of 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained under 1. d). A Fund may cumulatively invest up to 20% of its net assets in transferable securities and money market instruments within the same group.

- (vi) Without prejudice to the limits laid down in paragraph e), the limits laid down in this paragraph d) shall be 20% for investments in shares and/or bonds issued by the same body when the aim of a Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Luxembourg supervisory authority, provided
  - the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

The limit laid down in the subparagraph above is raised to 35% where it proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or Shariah-compliant money market instruments are highly dominant provided that investment up to 35% is only permitted for a single issuer.

- (vii) **Where any Fund has invested in accordance with the principle of risk spreading in transferable securities and Shariah-compliant money market instruments issued or guaranteed by any Member State, its local authorities, OECD member states, Singapore, Brazil, Russia, Indonesia and South Africa or any member state of the G20 or public international bodies of which one or more EU Member States are members or by any other State of the OECD, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's assets.**

- e) The Company or any Fund may not invest in voting shares of companies allowing it to exercise a significant influence in the management of the issuer. Further, a Fund may acquire no more than (i) 10% of the non-voting shares of any single issuing body, (ii) 10% of the fixed-income securities of any single issuing body, (iii) 25% of the units of any single collective investment undertaking, (iv) 10% of the money market instruments of any single issuing body. However, the limits laid down under (ii), (iii) and (iv) may be disregarded at the time of acquisition if, at that time, the gross amount of the bonds or of the Shariah-compliant money market instruments or the net amount of the instruments in issue cannot be calculated.

The limits under this section e) shall not apply to (i) transferable securities or Shariah-compliant money market instruments issued or guaranteed by a Member State, its local authorities, or public international bodies of which one or more Member States of the EU are members or by any other State, nor to (ii) shares held by the Company in the capital of a company incorporated in a State which is not a Member State of the EU investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State, provided that, however, the Company, in its investment policy, complies with the limits laid down in Articles 43 and 46 and in paragraphs (1) and (2) of Article 48 of the Law of 17 December 2010.

- f) (i) Unless otherwise provided in the investment policy of a specific Fund, each Fund will not invest more than 10% of its net assets in units of UCITS and/or other UCIs.
- (ii) In the case restriction f) (i) above is not applicable to a specific Fund, as provided in its investment policy, such Fund may acquire units of UCITS and/or other UCIs referred to in paragraph 1. a) (v), provided that no more than 20% of a Fund's net assets be invested in the units of a single UCITS or other UCI.

For the purpose of the application of this investment limit, each compartment of a UCITS and/or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

- (iii) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Fund.
- (iv) When a Fund invests in the units of UCITS and/or other UCIs linked to the Company by common management or control, or by a substantial direct or indirect holding, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.

In respect of a Fund's investments in units of other UCITS and other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Fund and each of the UCITS or other UCIs concerned shall not exceed 2% of the value of the relevant investments. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.

- (v) A Fund may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all compartments combined.
- (vi) The underlying investments held by the UCITS or other UCIs in which the Funds invest do not have to be considered for the purpose of the investment restrictions set forth under 1. d) above.
- (vii) A Fund (the "**Investing Fund**") may subscribe, acquire and/or hold securities to be issued or issued by one or more Funds (each a "**Target Fund**") under the condition that:
  - the Target Fund does not, in turn, invest in the Investing Fund invested in this Target Fund; and

- no more than 10% of the assets of the Target Fund whose acquisition is contemplated, may, according to its investment policy, be invested in units of other UCITS or other UCIs; and
  - the Investing Fund may not invest more than 20% of its net assets in units of a single Target Fund; and
  - for as long as these securities are held by the Investing Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 17 December 2010; and
  - there is no duplication of management/subscription or sale fees between those at the level of the Investing Fund having invested in the Target Fund, and this Target Fund.
- g) The Company may not (i) acquire for the benefit of any Fund securities which are partly paid or not paid or involving liability (contingent or otherwise) unless according to the terms of issue such securities will or may at the option of the holder become free of such liabilities within one year of such acquisition and (ii) underwrite or subunderwrite securities of other issuers for any Fund.
- h) The Company may not purchase or otherwise acquire any investment in which the liability of the holder is unlimited.
- i) The Company may not purchase securities or debt instruments issued by the Investment Managers or any connected person or by the Management Company. For the purpose of this investment restriction, the term "connected person" shall refer to any affiliate and subsidiary that is directly or indirectly owned by FRI.
- j) The Company may not purchase any securities on margin (except that the Company may, within the limits set forth in clause 2. e) below, obtain such short term credit as may be necessary for the clearance of purchases or sales of securities) or make uncovered sales of transferable securities, Shariah-compliant money market instruments or other financial instruments referred to above; except that the Company may make initial and maintenance margin deposits in respect of futures and forward contracts (and options thereon).

## 2. INVESTMENT IN OTHER ASSETS

- a) The Company may not purchase real estate, nor acquire any options, rights or interest in respect thereof, provided that the Company may invest for the account of any Fund in securities secured by real estate or interest therein or in securities of companies investing in real estate.
- b) The Company may not make investments in precious metals or certificates representing them.
- c) The Company may not enter into direct commodities transactions or commodity contracts, except that the Company may, in order to hedge risk, enter into Shariah-compliant Financial Derivative Instruments giving exposure, through financial indices, to commodities within the limits laid down in the Shariah Guidelines and clause 3 below.
- d) The Company may not extend financing to other persons or act as a guarantor on behalf of third parties or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness or any person in respect of borrowed monies.
- e) The Company may not seek financing for the account of any Fund, other than amounts which do not in aggregate exceed 10% of the net assets of the Fund, taken at market value and then only as a temporary measure.
- f) The Company may not mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness, any of the securities or other assets of any Fund, except as may be necessary in connection with the financings mentioned in clause e) above. The purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed the pledge of the assets.

## 3. SHARIAH- COMPLIANT FINANCIAL DERIVATIVE INSTRUMENTS

As specified in clause 1. a) (vii) above, the Company may, in respect of each Fund, use Shariah-compliant Financial Derivative Instruments for hedging purposes only (unless otherwise indicated for a specific Fund in its investment policy).

The Company shall ensure that the Global Exposure of each Fund relating to Shariah-compliant Financial Derivative Instruments does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings (as referred to in clause 2. e) above) so that it may not exceed 210% of any Fund's total net assets under any circumstances.

The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to prudential supervision and belonging to the categories approved by the CSSF for the purposes of OTC derivative transactions and specialized in these types of transactions.

As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure by counterparty if it complies with the criteria set out in applicable laws, regulations and circulars issued by the CSSF from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability as further set out below. Collateral primarily consist of cash and highly rated sovereign fixed income securities. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested in a manner consistent with the Shariah Guidelines, where applicable the provisions established in the Credit Support Annex ("CSA") of the International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement")

executed with the relevant counterparty and with the risk diversification requirements detailed in Appendix C "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with credit institutional having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government fixed income securities that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement (where applicable), and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.

The Global Exposure relating to Shariah-compliant Financial Derivative Instruments is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

Each Fund may invest in Shariah-compliant Financial Derivative Instruments within the limits laid down in clause 1. a) (vii) provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in clause 1. d) (i) to (v). When a Fund invests in index-based Shariah-compliant Financial Derivative Instruments, these investments do not have to be combined in respect of the limits laid down in clause 1. d). When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

The Funds may use Shariah-compliant Financial Derivative Instruments for hedging or investment purposes, within the limits of the Law of 17 December 2010 and of the Shariah Guidelines. Under no circumstances shall the use of these instruments and techniques cause a Fund to diverge from its investment policy.

Where appropriate, the Funds apply either the Value-at-Risk (VaR) approach or the Commitment Approach to calculate their Global Exposure, whichever is deemed to be appropriate.

When the investment objective of a Fund indicates a benchmark against which the performance might be compared, the method used to calculate the Global Exposure may consider a different benchmark than the one mentioned for performance or volatility purposes in said Fund's investment objective.

#### **Shariah-compliant total return swaps transactions**

Investments in total return swaps by a Fund are only permitted to the extent they comply with the Shariah Guidelines as described in Appendix B and as approved by the SSB.

A Fund which is authorised as per its investment policy to invest in total return swaps but which does not enter into such transactions as of the date of this Prospectus may however enter into total return swaps transactions provided that the maximum proportion of the net assets of that Fund that could be subject to such transactions does not exceed 20% and that the relevant section relating to this individual Fund is updated accordingly at the next available opportunity. In such cases, the counterparty to the transaction will be a counterparty approved and monitored by the Management Company or the Investment Manager(s). At no time will a counterparty in a transaction have discretion over the composition or the management of a Fund's investment portfolio or over the underlying of the total return swap. While there are no predetermined legal status or geographical criteria applied in the selection of the counterparties, these elements are typically taken into account in the selection process. The Funds' actual activity in total return swaps is disclosed in the Company's financial statements for all Funds which are engaged in total return swap contracts.

The following types of assets can be subject to total return swaps: currency or commodity indices and fixed income securities or indices, most notably domestic currency denominated treasury securities, high yield corporate exposures.

The risk of counterparty default and the effect on investors returns are more fully described under section "Risk Considerations".

Where a Fund enters into total return swaps transactions as of the date of this Prospectus, the expected proportion of such Fund's net assets that could be subject to total return swaps transactions shall be calculated as the sum of notionals of the derivatives used and is set out in the "Fund Information, Objectives and Investment Policies" section of the relevant Fund. If and when a Fund enters into total return swaps transactions, it is for the purpose of generating additional capital through the change in value of the underlying reference asset and receipt of any income generated by the reference asset and/or to mitigate investment risk within the portfolio through taking a short position on an underlying reference asset.

All revenues arising from total return swaps transactions will be returned to the relevant Fund, and the Management Company will not take any fees or costs out of those revenues additional to the investment management fee for the relevant Fund as set out under section "Investment Management Fees".

#### **4. USE OF TECHNIQUES AND INSTRUMENTS RELATING TO TRANSFERABLE SECURITIES AND SHARIAH-COMPLIANT MONEY MARKET INSTRUMENTS**

As of the date of this Prospectus, no Funds are authorized to enter into repurchase agreements and reverse repurchase agreements nor in the other transactions covered by Regulation (EU/2015/2365) on transparency of securities financing transactions and of reuse ("SFTR"), except for the Franklin Global Sukuk Fund which may invest in Shariah-compliant total return swaps as approved by the SSB and as further described in the appendix relating to this Fund. If another Fund uses any such transactions in the future, the Prospectus will be amended in accordance with SFTR.

#### **5. ADDITIONAL LOCAL RESTRICTIONS**

- a) If and for so long as a Fund is authorised by the Financial Sector Conduct Authority in South Africa in terms of section 65 as foreign collective investment schemes in securities and in respect of any Fund registered with it, derivative instruments will be used for hedging. No gearing, leveraging and/or margining shall be permitted.

- b) If and for so long as the following Funds accepts investment by The Central Provident Fund (CPF), the CPF Investment Guidelines issued by the Central Provident Fund Board of Singapore, which guidelines may be amended from time to time, shall be applicable to them:
- Templeton Shariah Global Equity Fund
- c) If and for so long as any Fund of the Company accepts investment by any Malaysia-domiciled feeder fund(s) managed by Franklin Templeton GSC Asset Management Sdn. Bhd. or any other Malaysian investment funds authorised by the Securities Commission Malaysia, the Fund's investments in a foreign market shall be limited to (i) markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions (IOSCO) and (ii) securities and instruments issued by supranational organisations.
- d) If and for so long as the Company is authorised by the Securities and Futures Bureau in Taiwan and in respect of any Fund registered with it, the following shall apply:
- (i) the aggregate commitments arising from the derivative instruments may not (except with the approval of the Securities and Futures Bureau), at any time, exceed 40% of the relevant Fund's net assets and 100% for hedging purpose;
  - (ii) the total amount of a Fund invested in the securities traded in the securities market in Mainland China, including fixed income securities circulated on the China Interbank Bond Market (CIBM), will not exceed twenty percent (20%) of the then most current Net Asset Value of the Fund, unless otherwise determined by relevant regulator;
  - (iii) the total amount of a Fund invested in Taiwan securities shall not exceed fifty percent (50%) of the Net Asset Value of the Fund, or such other percentage as the Taiwan regulator may decide.
- e) To ensure eligibility for the partial tax exemption for equity funds for Investors resident in Germany, the following Fund will invest more than 50% of its assets in equity securities as defined in Section 2 para. 8 of the German Investment Tax Act:

1) Franklin Shariah Technology Fund

In case that the Fund invests into other investment funds, those investment funds may be considered as equity securities in the sense of the German Investment Tax Act to the extent of the equity ratio published by these funds on each valuation day or, alternatively, to the extent of the minimum equity ratio as per the funds' investment policy.

## RISK MANAGEMENT

The Management Company will employ a risk-management process which enables it with the Investment Managers to monitor and measure at any time the risk of the positions of the Company and their contribution to the overall risk profile of each portfolio. The Management Company or the Investment Managers will employ a process for accurate and independent assessment of the value of OTC derivative instruments.

Upon request of an investor, the Management Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

## APPENDIX D

### ADDITIONAL INFORMATION

1. The Company is an investment company with limited liability organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and is qualified as a *société d'investissement à capital variable*. The Company was incorporated in Luxembourg on 3 July 2012, for an undetermined period. The Company is registered with the *Registre de Commerce et des Sociétés de Luxembourg*, under number B-169.965. Copies of the Articles as amended are available for inspection at the *Registre de Commerce et des Sociétés de Luxembourg* and the registered office of the Company and of the Management Company.

2. The minimum capital of the Company is 1,250,000 Euro or the equivalent in US dollars.

3. The Company may be dissolved upon decision of an extraordinary general meeting of its Shareholders. If the capital of the Company falls below two thirds of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed and which shall be decided by a simple majority of the holders of Shares represented at the meeting. If the capital of the Company falls below one-fourth of the minimum capital, the Board of Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed; dissolution may be resolved by Shareholders holding one-fourth of the Shares at the meeting. If the Company should be liquidated, its liquidation will be carried out in accordance with the provisions of the laws of the Grand Duchy of Luxembourg which specify the steps to be taken to enable Shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the *Caisse de Consignation* of any such amounts which have not been promptly claimed by any Shareholders. Amounts not claimed from escrow within the prescribed period would be liable to be forfeited in accordance with the provisions of the laws of the Grand Duchy of Luxembourg. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation*" and as a consequence, the initial amount might not be refunded.

4. The Board of Directors may decide to liquidate a Fund if the net assets of such Fund fall below USD 50 million or if a change in the economic or political situation relating to the Fund concerned would justify such liquidation or if it is required by the interests of the Shareholders of the Fund concerned. The decision to liquidate the Fund will be published or notified, if appropriate, by the Company prior to the liquidation and the publication and/or notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between the Shareholders, the Shareholders of the Fund concerned may continue to request sale or switch of their Shares. Assets which could not be distributed to their beneficiaries upon the close of the liquidation period of the Fund will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries. Any amount transferred to the *Caisse de Consignation* is subject to a "*taxe de consignation*" and as a consequence, the initial amount might not be refunded.

Any merger of a Fund with another Fund of the Company or with another UCITS (whether subject to Luxembourg law or not) shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for such merger to the meeting of Shareholders of the Fund concerned. In the latter case, no quorum is required for such meeting and the decision for such merger is taken by a simple majority of the votes cast. In case of a merger of one or more Funds where, as a result, the Company ceases to exist, the merger shall, notwithstanding the foregoing, be decided by a meeting of Shareholders resolving in accordance with the quorum and majority requirements for the amendment of the Articles.

Under the same circumstances as described in the first paragraph above, the Board of Directors may decide to close down a Share Class by contribution into another Fund or UCITS governed by Part I of the Law of 17 December 2010. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the other undertaking for collective investment. Such publication will be made within one (1) month before the date on which the merger becomes effective in order to enable Shareholders to request sale or switch of their Shares, free of charge, before the operation involving contribution into another Fund or another UCITS governed by Part I of the Law of 17 December 2010 becomes effective.

The Board of Directors may also decide upon the reorganisation of any Fund by means of a division into two or more separate Funds, if required by the interests of the Shareholders of the Fund concerned or if a change in the economic or political situation relating to the Fund concerned would justify such reorganisation. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the two or more separate Funds resulting from the reorganisation. Such publication will be made within one (1) month before the date on which the reorganisation becomes effective in order to enable Shareholders to request sale or switch of their Shares, free of charge, before the reorganisation becomes effective.

Where the Board of Directors does not have the authority to do so or where the Board of Directors determines that the decision should be put for Shareholders' approval, the decision to liquidate or to reorganise a Fund or to merge a Share Class may be taken at a meeting of Shareholders of the Fund or Share Class to be liquidated, merged or reorganised instead of being taken by the Board of Directors. At such Share Class meeting, no quorum shall be required and the decision to liquidate, merge or reorganise must be approved by Shareholders holding at least a simple majority of the Shares present or represented. A publication of such decision will be made at least thirty (30) days before the last date for requesting sale or switch free of charge in order to enable Shareholders to request sale, redemption or switch of their Shares, free of charge, before the liquidation, merger or reorganisation becomes effective.

5. As a matter of policy, the Management Company aims to exercise the voting rights that may be associated with the Company's various investments in transferable securities. Proxy voting records are available free of charge and upon request at the registered office of the Company and of the Management Company.

## **APPENDIX E**

### **DETERMINATION OF THE NET ASSET VALUE OF SHARES**

#### **CALCULATION OF THE NET ASSET VALUE**

The Net Asset Value per Share ("NAV") of each Share Class of each Fund shall be expressed in the currency of the relevant Fund or of the relevant Class as a per Share figure, and shall be determined in respect of any Valuation Day by dividing the net assets of the Company corresponding to each Share Class of each Fund, being the value of the assets of the Company corresponding to such Fund less liabilities attributable to such Fund, by the number of Shares then outstanding and shall be rounded up or down to two decimal places as the Board of Directors may decide.

#### **VALUATION**

The assets of the Company shall be deemed to include:

- (a) all cash on hand or on deposit, including Hibah or profit accrued thereon;
- (b) all bills and demand notes and accounts receivable (including proceeds of securities sold but not delivered);
- (c) all fixed-income securities, Sukuk, shares, stock, subscription rights, warrants, options and other investments and securities owned or contracted for by the Company;
- (d) all stock, stock dividends, cash dividends and cash distributions receivable by the Company (provided that the Company may make adjustments with regard to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);
- (e) all profit accrued on any Hibah/profit-bearing securities owned by the Company, except to the extent that the same is included or reflected in the principal amount of such security;
- (f) the formation expenses of the Company insofar as the same have not been written off; and
- (g) all other assets of every kind and nature, including prepaid expenses.

The total liabilities of the Company shall be deemed to include:

- (a) all bills and accounts payable;
- (b) all accrued or payable administrative expenses (including management and/or advisory fees, depositary fees and corporate agents' fees);
- (c) all known liabilities, present and future, including all matured contractual obligations for payments of money or property, including the amount of any unpaid dividends declared by the Company where the Valuation Day falls on the record date for determination of the person entitled thereto or is subsequent thereto;
- (d) an appropriate provision for future taxes based on capital and income to the Valuation Day, as determined from time to time by the Company, and other provisions, if any, authorized and approved by the Board of Directors covering, among others, liquidation expenses; and
- (e) all other liabilities of the Company of whatsoever kind and nature except liabilities represented by Shares in the Company. In determining the amount of such liabilities the Company shall take into account all relevant expenses payable by the Company comprising formation expenses, fees and expenses at the accounts, fees payable to the Management Company for the performance of its various services and for those rendered by the Investment Managers and/or investment advisers, the Shariah Supervisory Board, the Shariah Screening Provider, the Depositary Bank and local Paying Agents and permanent representatives in places of registration as well as costs incurred in obtaining and maintaining registrations in different countries, any other agent employed by the Company, fees for facilities services, fees for company secretary services, fees for legal and auditing services, printing, reporting and publishing expenses, including the cost of advertising and/or preparing and printing of the prospectuses, KIDs, explanatory memoranda, or registration statements, investment research fees, taxes or governmental or supervisory charges, all other operating expenses, including the cost of buying and selling assets, bank charges and brokerage commissions, postage, telephone, telex, telefax message and facsimile (or other similar means of communication). The Company and/or the Administrative Agent, as appropriate, may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

The value of such assets shall be determined as follows:

- 1) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends, cash distributions and profit accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Company may consider appropriate in such case to reflect the true value thereof.
- 2) The value of transferable securities, money market instruments and Shariah-compliant Financial Derivative Instruments are valued on the basis of the last available price at the closing of the relevant stock exchange or regulated market on which these securities or assets are traded or admitted for trading. Where such securities or other assets quoted or dealt in on one or more than one stock exchange or regulated market, the Board of Directors shall make rules as to the order of priority in which such stock exchanges or other regulated markets shall be used for the provisions of prices of securities or assets.

- 3) If a transferable security or money market instrument is not traded or admitted on any official stock exchange or a regulated market, or in the case of transferable securities or money market instruments so traded or admitted where the last available price is not representative of their fair market value, the Board of Directors shall proceed on the basis of their reasonably foreseeable sales price, which shall be valued with prudence and in good faith.
- 4) The Shariah-compliant Financial Derivative Instruments which are not listed on any official stock exchange or traded on any other regulated market will be valued in accordance with market practice.
- 5) Units or shares of undertakings for collective investment, including Fund(s), shall be valued on the basis of their last available net asset value as reported by such undertakings.
- 6) Liquid assets and money market instruments may be valued at nominal value plus any accrued profit or on an amortized cost basis. All other assets, where practice allows, may be valued in the same manner.
- 7) If any of the aforementioned valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Board of Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.
- 8) Any assets or liabilities in currencies other than the base currency of the respective Funds will be converted using the relevant spot rate quoted by a bank or other recognised financial institution.

Islamic foreign exchange hedging instruments (including Wa'd structured foreign exchange swaps) may be utilised for the benefit of Hedged Share Classes. As such, cost and related liabilities and/or benefits of such hedging activities shall be for the account of that class only. Accordingly, such costs and related liabilities and/or benefits will be reflected in the Net Asset Value per Share for Shares of any such Hedged Share Class. The currency exposures of the assets of the relevant Fund will not be allocated to separate classes. Foreign exchange hedging shall not be used for speculative purposes and shall not contain the element of *riba* (i.e. interest). The periodic reports of the Company will indicate how hedging transactions have been utilised.

The net asset value may be adjusted as the Board of Directors or the Management Company may deem appropriate to reflect, among other considerations, any dealing charges including any dealing spreads, fiscal charges and potential market impact resulting from shareholders' transactions.

In determining the NAV of the Company, the Management Company and/or the Administrative Agent, values cash and receivables at their realisable amounts and records dividends on the ex-dividend date. The Management Company and/or the Administrative Agent generally utilises two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities quoted or dealt in on a stock exchange, the Management Company and/or the Administrative Agent will value those securities at their latest available price on said stock exchange (last quoted sale price or official closing price of the day, respectively), or if there is no reported sale, within the range of the most recent bid and ask prices. Securities dealt in on an organised market will be valued in a manner as near as possible to that for quoted securities. The Management Company and/or the Administrative Agent values over-the-counter portfolio securities acquired by a specific Fund in accordance with the investment restrictions set forth in Appendix B and C above, within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the Management Company and/or the Administrative Agent values them according to the broadest and most representative market as determined by the Board of Directors.

Generally, trading in corporate Sukuk, government securities or money market instruments is substantially completed each day at various times before the close of the New York Stock Exchange. The value of these securities used in computing the NAV is determined as of such times. Occasionally, events affecting the values of these securities may occur between the times at which they are determined and the close of the New York Stock Exchange that will not be reflected in the computation of the NAV. The Management Company and/or the Administrative Agent relies on third party pricing vendors to monitor for events materially affecting the value of these securities during this period. If an event occurs the third party vendors will provide revised values to the Management Company and/or the Administrative Agent. The value of securities not quoted or dealt on a stock exchange or an organised market and of securities which are so quoted or dealt in, but in respect of which no price quotation is available or the price quoted is not representative of the securities' fair market value shall be determined by or under the direction of the Board of Directors. Short-dated fixed-income transferable securities and money market instruments not traded on a regulated exchange are usually valued on an amortised cost basis.

Since the Company may, in accordance with the investment restrictions set forth in Appendix C above, invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The Management Company and/or the Administrative Agent has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Company could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Management Company and/or the Administrative Agent determines the Company's NAV per Share.

Trading in securities on foreign securities stock exchanges and over-the-counter markets, such as those in Europe and Asia, may be normally completed well before the New York Stock Exchange closing time on each day that the New York Stock Exchange is open. Trading in European or Far Eastern securities generally, or in a particular country or countries, may not take place on every Valuation Day. Furthermore, trading may take place in various foreign markets on days that are not Valuation Days and on which the Fund's net asset value is not calculated. Thus, the calculation of the Shares' net asset value does not take place contemporaneously with the determination of the prices of many of the portfolio securities used in the calculation and, if events materially affecting the values of these foreign securities occur, the securities will be valued at fair value as determined and approved in good faith by or under the direction of the Management Company.



## **SWING PRICING ADJUSTMENT**

A Fund may suffer reduction of the Net Asset Value per Share due to Investors purchasing, selling and/or switching in and out of the Fund at a price that does not reflect the dealing costs associated with this Fund's portfolio trades undertaken by the Investment Manager(s) to accommodate cash inflows or outflows.

To counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy.

The Fund operates a swing pricing mechanism which is applied when the total capital activity (aggregate of inflows and outflows) at a Fund level exceeds a pre-determined threshold as determined as a percentage of the net assets of that Fund for the Valuation Day. Funds can operate a full swing pricing mechanism where the threshold is set to zero or a partial swing pricing mechanism where the threshold is greater than zero.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class in a Fund identically. Swing pricing does not address the specific circumstances of each individual investor transaction.

The adjustments will seek to reflect the anticipated prices at which the Fund will be buying and selling assets, as well as estimated transaction costs. Investors are advised that the volatility of the Fund's Net Asset Value might not reflect the true portfolio performance as a consequence of the application of swing pricing.

The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and under normal market conditions will not exceed 2% of the original Net Asset Value per Share. The Board of Directors can approve an increase of this limit in case of exceptional circumstances, unusually large Shareholders trading activities, and if it is deemed to be in the best interest of Shareholders.

The Management Company mandates authority to the Swing Pricing Oversight Committee to implement and on a periodic basis review, the operational decisions associated with swing pricing. This committee is responsible for decisions relating to swing pricing and the ongoing approval of swing factors which form the basis of pre-determined standing instructions.

The price adjustment is available on request from the Management Company at its registered office.

On certain share classes, the Management Company may be entitled to a performance fee, where applicable, this will be based on the unswung NAV.

Additional information on swing pricing can be found at: <https://www.franklintempleton.lu/investor/resources/investor-tools/swing-pricing>

## **SUSPENSION OF CALCULATION OF NET ASSET VALUE**

1. The Company may suspend the determination of the net asset value of the Shares of any particular Fund and the purchase and sale of the Shares and the switch of Shares from and to such Fund during:
  - (a) any period when any of the principal stock exchanges or markets on which any substantial portion of the investments of the Company attributable to such Fund from time to time are quoted is closed, or during which dealings therein are restricted or suspended;
  - (b) the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of assets owned by the Company attributable to such Fund would be impracticable;
  - (c) any breakdown or restriction in the means of communication normally employed in determining the price or value of any of the investments of any particular Fund or the current price or value on any stock exchange or market;
  - (d) any period when the Company is unable to repatriate funds for the purpose of making payments due on redemption of Shares of such Fund or any period when the transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of such Shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange;
  - (e) any period when the net asset value of Shares of any Fund or Share Class may not be determined accurately; or
  - (f) during any period when in the opinion of the Directors there exist unusual circumstances where it would be impractical or unfair towards the Shareholders to continue dealing in the Shares of the Company or of any Fund or any other circumstances, or circumstances where a failure to do so might result in the Shareholders or a Fund incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the Shareholders or a Fund might not otherwise have suffered;
  - (g) if the Company or a Fund or a Share Class is being or may be wound-up, on or following the date on which such decision is taken by the Board of Directors or notice is given to Shareholders of a general meeting of Shareholders at which a resolution to wind-up the Company or a Fund or a Share Class is to be proposed;
  - (h) in the case of a merger, if the Board of Directors deems this to be justified for the protection of the Shareholders; or
  - (i) in the case of a suspension of the calculation of the net asset value of one or several underlying investment funds in which a Fund has invested a substantial portion of assets.

In accordance with the Law of 17 December 2010, the issue and redemption of Shares shall be prohibited:

- (i) during the period where the Company has no depositary; and
- (ii) where the Depositary is put into liquidation or declared bankrupt or seeks an arrangement with the creditors, a suspension of payment or a controlled management or is the subject of similar proceedings.

- 2. Any such suspension shall be publicized, if appropriate, by the Company and shall be notified to Shareholders requesting purchase, sale or switch of their Shares by the Company at the time of the filing of the written request for such purchase, sale or switch.

#### **ERROR AND CORRECTION OF NET ASSET VALUE CALCULATION**

A NAV error occurs when the NAV calculation results in an incorrect outcome. A NAV calculation error (i) may arise as a result of one or more factors or circumstances, including but not limited to, human or data errors, inaccurate pricing information, inadequate control procedures, shortcomings in the administrative processing of operations, imperfections or deficiencies in the functioning of the IT, accounting or communication systems or (ii) may be related to non-compliance with the valuation rules provided for in the law as well as in the Articles and/or this Prospectus. These factors or circumstances may occur at the level of the Administrative Agent in charge of the calculation of the NAV but also at other levels of the Company's organisation.

In order to protect the interests of the Company and its investors, NAV calculation errors resulting in an overstated or understated NAV per Share equal to or in excess of a certain threshold (positive or negative) will be corrected and compensated in accordance with the provisions of the CSSF Circular 24/856.

#### **ALLOCATION OF ASSETS AND LIABILITIES**

The Board of Directors shall establish a pool of assets for the Shares of each Fund in the following manner:

- 1.
  - (a) the proceeds from the issue of Shares of each Share Class of each Fund shall be applied in the books of the Company to the pool of assets established for that Fund, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such pool;
  - (b) where any asset is derived from another asset, such derivative asset shall be applied in the books of the Company to the same pool as the assets from which it was derived and in each revaluation of an asset, the increase or diminution in value shall be applied to the relevant pool;
  - (c) where the Company incurs a liability which relates to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability shall be allocated to the relevant pool;
  - (d) in the case where any asset or liability of the Company cannot be considered as being attributable to a particular pool, such asset or liability shall be equally divided between all the pools or, as in so far as justified by the amounts, shall be allocated to the pools pro rata to the net asset value of the relevant pool;
  - (e) upon the record date for determination of the person entitled to any dividend on the Shares of each Share Class of any Fund, the net asset value of the Shares of such Fund shall be reduced by the amount of such dividend declared.
- 2. If there have been created within any Fund two or several Share Classes, the allocation rules set out above apply, *mutatis mutandis*, to such Share Classes.
- 3. For the purpose of the calculation of the net asset value, the valuation and the allocation as aforesaid, Shares of the Company to be redeemed shall be treated as existing and taken into account until immediately after the close of business on the Valuation Day, and from time to time, until the price therefor has been paid, shall be deemed to be a liability of the Company; all investments, cash balances and other assets of the Company expressed in currencies other than the currency of the relevant Fund shall be valued after taking into account the market rate or rates of exchange in force at the date and time for determination of the net asset value of Shares; and effect shall be given on any Valuation Day to any purchases or sales of securities contracted for by the Company on such Valuation Day, to the extent practicable.

## **APPENDIX F**

### **FRANKLIN TEMPLETON SHARIAH FUNDS**

#### **CHARGES, FEES AND EXPENSES**

##### **1. COMPANY CHARGES AND EXPENSES**

###### **i. Management Company Fees**

For providing management company and ancillary services, the Management Company receives an annual fee from the Company of up to 0.20% of the Net Asset Value of the relevant Share Class and an additional amount (consisting of a fixed and variable component) per Investor Holding at the relevant Share Class level over each one (1) year period. Such remuneration will be calculated and accrued daily and will be paid monthly in arrears. Management company and ancillary services include but are not limited to, the performance of investment risk management and governance services (including but not limited to monitoring activities on the performance of delegated activities of the Funds, compliance and legal services, money laundering controls, regulatory oversight, internal audit, corporate, domiciliary and administrative functions) for the Company. This annual fee covers any remuneration paid to (i) J.P. Morgan SE, Luxembourg Branch for its services rendered to the Company as Administrative Agent and (ii) Virtus Partners Fund Services Luxembourg S.à r.l. for its services rendered to the Company as Registrar and Transfer Agent.

Pursuant to Article 111bis of the Law of 17 December 2010, the Management Company has established and apply a remuneration policy which is consistent with, and promote sound and effective risk management. Such policies and practices must not encourage risk taking which is inconsistent with the risk profile, Prospectus or Articles of the Company, and must not impair compliance with the Management Company's duty to act in the best interest of the Company.

The remuneration requirements apply to categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Management Company or the Company. The remuneration includes a fixed (essentially the base salary) and variable component (annual bonuses). The level of funding of the annual bonus (which can be paid in cash, equity awards or a combination of both) is dependent on overall FRI corporate performance, is approved by a compensation committee and is granted with reference to the actual performance of the relevant individual. A significant portion of the bonus can be deferred for at least three years and payment of bonus is subject to claw back provisions.

The details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, how it is consistent with the integration of sustainability risks, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the compensation committee is available on the Internet site: <http://www.franklintempleton.lu> (a paper copy will be made available free of charge upon request).

###### **ii. Principal Distributor Fees**

The Principal Distributor may be entitled to receive any applicable entry charge, of up to 5.75% of the total amount invested as further described in the section "Share Classes". The entry charge shall in no case exceed the maximum permitted by the laws, regulations and practice of any country where the Shares are sold.

The Principal Distributor may enter into contractual arrangements with various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of Shares outside the United States of America. Payments of fees or commissions to various sub-distributors, Brokers/Dealers or other intermediaries may be made out of the maintenance charges or other related similar fees normally paid to the Principal Distributor, when such payments are expected to enhance the quality of the distribution or other services provided to the Investors, including but not limited to the improvement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services.

###### **iii. Shariah Supervisory Board Fees**

The Shariah Supervisory Board shall be entitled, for its Shariah advisory services in relation to each Fund, to receive an annual fee of USD 15,000 per Fund to be paid out of the expenses of each Fund.

###### **iv. Shariah Screening Provider Fees**

IdealRatings, Inc. in its capacity as Shariah Screening Provider will receive as remuneration from each Fund an annual fee of USD 10,000 plus an additional amount up to 0.05% of the total assets under management of the relevant Fund.

###### **v. Depository Fees**

As remuneration for the services rendered to the Company as Depositary Bank, J.P. Morgan SE, Luxembourg Branch will receive an annual fee depending on the nature of the investments of the different Funds in a range from 0.001% to 0.005% of the net asset values of the assets of the different Funds, with possible higher depositary annual fees for those Funds the investment objectives and policies of which provide for investments in securities of issuers in developing countries, as reflected in more detail in the Funds' relevant total expense ratio (TER) and in the Company financial reports. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary Bank by the Company.

Such fees do not include normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Company as well as any reasonable out-of-pocket expenses incurred in connection with the Company, and chargeable to the Company and fees for other services as agreed from time to time. The amounts effectively paid will be shown in the Company's financial statements.

vi. **Other Fees**

The Company bears its other operational costs including, but not limited to, the costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, reporting and publication expenses, postage, telephone and facsimile expenses. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund. The Company may, from time to time, pay certain fees to the Management Company for onward allocation to various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors relating to placing certain Funds on sales platforms designed to bring about a wider distribution of Fund Shares. Such costs would only be allocated among the Funds placed on such platforms.

All charges and expenses pursuant to the above are exclusive of value added taxes or other taxes chargeable thereon, which should be paid by the Fund as required.

**2. ENTRY CHARGE AND CDSC**

**Entry Charge**

| Share Class Overview                        | Class A                                  | Class AS             | Class C              | Class D*                  | Class I       | Class M              | Class N              | Class W <sup>2</sup> | Class X       | Class Y       | Class Z <sup>3</sup> | Classes P2, S, T     | Class P1      |
|---|--|----------------------|----------------------|---------------------------|---------------|----------------------|----------------------|----------------------|---------------|---------------|----------------------|----------------------|---------------|
| Investor Category                           | Retail Institutional                     | Retail Institutional | Retail Institutional | Retail Institutional      | Institutional | Retail Institutional | Retail Institutional | Retail Institutional | Institutional | Institutional | Retail Institutional | Retail Institutional | Institutional |
| Entry Charge - Equity and Multi-Asset Funds | Up to 5.75%<br>See also CDSC table below | No                   | See CDSC table below | No                        | No            | No                   | Up to 3%             | No                   | No            | No            | No                   | No                   | No            |
| Entry Charge – Fixed Income Funds           | Up to 5.00%<br>See also CDSC table below | No                   | See CDSC table below | See also CDSC table below | No            | No                   | Up to 3%             | No                   | No            | No            | No                   | No                   | No            |

\* Intermediaries or distributors selling Class D Shares may apply their own selling charges, but which should not exceed 3.00%.

**CDSC**

The amount of the CDSC is calculated by multiplying the percentages indicated in the following chart by the Net Asset Value of the Shares when purchased, or their Net Asset Value when sold, whichever is applicable.

| CDSC for Class A Shares on qualified investments of USD 1 million or more |            | CDSC for Class C Shares      |            |
|---|------------|------------------------------|------------|
| Period since purchase   | Percentage | Period since purchase        | Percentage |
| Less than 18 months   | Up to 1%   | Less than 12 months          | 1%         |
| Equal or more than 18 months  | 0%         | Equal or more than 12 months | 0%         |

| CDSC for D share class                     |            |
|--|------------|
| Period since purchase                      | Percentage |
| Less than one year                         | 0.48%      |
| Equal or more than 1 year but less than 2  | 0.36%      |
| Equal or more than 2 years but less than 3 | 0.24%      |

<sup>2 3</sup> Intermediaries or distributors selling Class W or Z Shares may apply their own selling charges, but which should not exceed 5.75%.

|   |       |
|---|-------|
| <b>Equal or more than 3 years but less than 4</b> | 0.12% |
| <b>Equal to 4 years</b>                           | 0%    |

## 2. INVESTMENT MANAGEMENT FEES (PER ANNUM)

As Class Y Shares are, inter alia, designed to accommodate an alternative charging structure whereby the Investor is a client of Franklin Templeton and is charged an annual management charge directly by Franklin Templeton, no annual management charge will be payable in respect of Class Y Shares out of the net assets of the relevant Fund.

The following investment management fees apply in respect of the Shares as indicated below:

| Fund Names                                      | Classes A, AS, C, N, Z | Classes D | Class P1    | Class P2    | Class S     | Class I | Class M  | Class T  | Class W |
|---|------------------------|-----------|-------------|-------------|-------------|---------|--|----------|---------|
| Franklin Global Sukuk Fund                      | 1.00%                  | N/A       | Up to 0.70% | Up to 0.30% | Up to 0.70% | 0.70%   | - From USD 0 to USD100m: 0.45%<br>- From USD100m to USD250m: 0.40%<br>- Above USD250m: 0.35% | Up to 1% | 0.70%   |
| Templeton Shariah Global Equity Fund            | 1.00%                  | N/A       | Up to 0.70% | Up to 0.70% | Up to 0.70% | 0.70%   | N/A  | Up to 1% | 0.70%   |
| Franklin Shariah Technology Fund                | 1.00%                  | N/A       | Up to 0.70% | Up to 0.70% | Up to 0.70% | 0.70%   | N/A  | Up to 1% | 0.70%   |
| Franklin Shariah Global Multi-Asset Income Fund | 1.00%                  | N/A       | Up to 0.70% | Up to 0.70% | Up to 0.70% | 0.70%   | N/A  | Up to 1% | 0.70%   |

## 3. MAINTENANCE CHARGES

The following maintenance charges apply in respect of the Class A Shares, Class AS Shares, Class C Shares, Class D Shares, Class M Shares and Class N Shares:

| Fund Names                                      | Class A*    | Class AS | Class C | Class D | Classes P1, P2, S, T | Class M | Class N*    |
|---|-------------|----------|---------|---------|----------------------|---------|-------------|
| Franklin Global Sukuk Fund                      | Up to 0.30% | 0.40%    | 1.08%   | N/A     | N/A                  | 1.23%   | Up to 1.25% |
| Templeton Shariah Global Equity Fund            | Up to 0.50% | 0.40%    | 1.08%   | N/A     | N/A                  | N/A     | Up to 1.25% |
| Franklin Shariah Technology Fund                | Up to 0.50% | 0.40%    | 1.08%   | N/A     | N/A                  | N/A     | Up to 1.25% |
| Franklin Shariah Global Multi-Asset Income Fund | Up to 0.50% | N/A      | N/A     | N/A     | N/A                  | N/A     | N/A         |

\* Maintenance charge per annum applied to the average Net Asset Value of the Share Class.

## 4. SERVICING CHARGES

### Class D Shares

A servicing charge of 0.125% per annum is applicable to the average Net Asset Value of Class D Shares.

## **APPENDIX G**

### **BENCHMARK DISCLOSURES**

#### **- Franklin Global Sukuk Fund**

The benchmark of the Franklin Global Sukuk Fund is the Dow Jones Sukuk Index. The benchmark is used solely as a reference for Investors to compare against the Fund's performance, and this benchmark is neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat. The Fund is actively managed.

#### **- Franklin Shariah Global Multi-Asset Income Fund**

The benchmarks of the Franklin Shariah Global Multi-Asset Income Fund are blended 60% MSCI AC World Islamic-NR + 40% Dow Jones Sukuk Index. The benchmarks are used solely as a reference for Investors to compare against the Fund's performance, and these benchmarks are neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat. The Fund is actively managed.

#### **- Franklin Shariah Technology Fund**

The benchmark of the Franklin Shariah Technology Fund is the S&P Global 1200 Shariah Information Technology Index. The benchmark is used solely as a reference for Investors to compare against the Fund's performance, and this benchmark is neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat. The Fund is actively managed.

#### **- Templeton Shariah Global Equity Fund**

The benchmark of the Templeton Shariah Global Equity Fund is the MSCI AC World Islamic Index. The benchmark is used solely as a reference for Investors to compare against the Fund's performance, and this benchmark is neither used as a constraint on how the Fund's portfolio is to be constructed nor set as a target for the Fund's performance to beat. The Fund is actively managed.