



Luxembourg, May 23, 2022

Amendment to the investment policies of several sub-funds of Franklin Templeton Investment Funds

Dear Shareholder,

1. SFDR update

We would like to inform you that the board of directors of Franklin Templeton Investment Funds (the “**Company**”) has decided, in light of investors’ demand, to amend the investment policies of the below listed sub-funds (the “**Funds**”) to have the Funds reclassified from Article 6 to Article 8 of the Sustainable Finance Disclosure Regulation (“**SFDR**”) in order to better reflect the ESG methodology applied to the Funds:

- Franklin Biotechnology Discovery Fund
- Franklin Euro High Yield Fund
- Franklin European Corporate Bond Fund
- Franklin Global Aggregate Bond Fund
- Franklin Innovation Fund
- Franklin Technology Fund
- Franklin U.S. Opportunities Fund
- Templeton Asian Bond Fund
- Templeton Emerging Markets Bond Fund

As a consequence of the above, please note that (i) the Investor Profile sub-section of the Funds will be updated accordingly, (ii) a “Sustainability risk” will be added to the risk considerations of the Funds and (iii) the following Taxonomy Regulation sub-section will be added in the Funds’ factsheets:

“Taxonomy Regulation

In line with its ESG methodology, the Fund promotes environmental, social and governance characteristics. Although the Fund does not commit to make investments in taxonomy-aligned environmentally sustainable activities contributing to climate change mitigation and climate change adaptation objectives, it cannot be excluded that the Fund’s underlying investments may incidentally include investments which aim at having a positive impact on the environment through their focus on climate change mitigation and climate change adaptation and which may be but are not necessarily taxonomy-aligned. Investors should note that the “do no significant harm” principle under Taxonomy Regulation applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the Fund which are not in taxonomy-aligned environmentally sustainable activities do not take into account the EU criteria for environmentally sustainable economic activities under the Taxonomy Regulation.”

In addition, the Templeton Emerging Markets Sustainability Fund, in light of investors’ demand, will be reclassified from Article 8 to Article 9 of the SFDR in order to better reflect the ESG methodology applied to the Fund.

Please note that (i) the Investor Profile and Taxonomy Regulation sub-sections of the Fund will be updated accordingly (as further detailed in the appendix of this letter) and (ii) the “Equity risk” will be added to the risk considerations of the Fund.

2. Further updates

The investment policy of the Franklin Euro High Yield Fund and Franklin European Corporate Bond Fund will be further amended to enable the investment manager to invest in convertible securities and up to 5% of the Funds’ net assets in contingent convertible securities.

In addition, the investment policy of the Franklin Biotechnology Discovery Fund, Franklin Technology Fund and Franklin U.S. Opportunities Fund will be further amended to enable the investment manager to invest in securities issued by private companies and Private Investments in Public Equity (PIPEs), and also in special purpose acquisition companies (SPACs). In this respect, new “SPACs risk”, “PIPEs risk”, “Private Companies risk” and “Equity risk” are added to the risk considerations of the aforementioned sub-funds.

Finally, the “Equity risk” is also added to the risk considerations of the Franklin Innovation Fund.

Impact

There will be no material impact on the way the Funds are managed, their portfolio's composition, risk profile or SRR1 nor on the fees charged, except for the Franklin Global Aggregate Bond Fund, Franklin European Corporate Bond Fund and Franklin Euro High Yield Fund, for which the portfolio's composition will be impacted by a slight reduction in the investment universe.

With effect from June 24, 2022, the investment objective and policies of the Funds will be updated to reflect the amendments as stated above, as more fully described in the appendix of this letter.

The new investment policies will be reflected in an updated version of the prospectus of the Company, a copy of which will be available online or at the registered office of the Company, upon request. All other features of the Funds remain the same.

What you need to do

You do not need to do anything if you are satisfied with the change. You also have the option to switch your shares into other funds of the Company provided that such funds are available for distribution in your country. You may also request a redemption of your investment. Should you wish to proceed with either option, please refer to the latest prospectus terms. Such requests of switch or redemption will be executed free of charge, provided that they are received at the latest by June 24, 2022.

Need more information

Your dedicated Client Services Team will be happy to help with any general questions about Franklin Templeton. Just call your local Client Service Team, visit our website at www.franklintempleton.lu or if you need advice about your investment please speak to a financial adviser.

We thank you for choosing to trust Franklin Templeton with your investments.

Best regards,



Craig Blair, Conducting Officer of Franklin Templeton International Services S.à r.l.
Management Company of Franklin Templeton Investment Funds

FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

Investment Policy

The Fund invests principally in equity securities of biotechnology companies and discovery research firms (including small to mid-sized companies) located in the US and other countries, and to a lesser extent in debt securities of any type of issuers worldwide.

For the Fund's investment purposes, a biotechnology company is one that has at least 50% of its earnings derived from biotechnology activities, or at least 50% of its net assets devoted to such activities based on the company's most recent fiscal year. Biotechnology activities are research, development, manufacture, and distribution of various biotechnological or biomedical products, services and processes. This may include companies involved with genomics, genetic engineering, and gene therapy. It also includes companies involved in the application and development of biotechnology in areas such as health care, pharmaceuticals, and agriculture.

Since the Investment Manager considers that Environmental, Social and Governance (ESG) factors can have a material impact on a company's current and future corporate value, ESG considerations are an integral component of its fundamental investment research and decision process. The Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Fund's portfolio to determine a company's profile on relevant environmental, social, and governance issues. The Investment Manager evaluates the companies which may be potential investment for the Fund ("Fund's Investment Universe") and assigns an overall ESG rating based on quantitative and qualitative indicators such as drug affordability/price, gender diversity and inclusion, employee satisfaction as well as environmental impact/greenhouse gases emissions. The rating assigned to the issuers by the Investment Manager based on the proprietary ESG methodology comprises four grades: AAA (best in class/very good), AA (good), A (fair) and B (needs improvement). The Investment Manager's ESG approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies. Companies rated "B" or those not rated due to the company not meeting the Investment Manager's fundamental criteria are excluded from the Fund's portfolio.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Manager's analysis:

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

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

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

To the extent that the Fund invests in debt securities, it generally buys securities that are rated investment grade or unrated securities that it determines to be of comparable quality. Investment grade debt securities are rated in the top four ratings categories by independent rating organisations such as Standard & Poor's Corporation or Moody's Investors Service, Inc.

The Fund anticipates that under normal conditions, it will invest more of its net assets in US securities than in those of any other single country although the Fund may have more than 50% of its net assets in non-US securities.

The Fund may also, in accordance with the investment restrictions, invest (i) up to 5% of its net assets in securities issued by private companies and Private Investments in Public Equity (PIPEs) and (ii) up to 5% of its net assets in special purpose acquisition companies (SPACs) provided that the contemplated PIPEs and SPACs qualify as transferable securities under paragraphs (1) or (2) a) of Article 41 of the Law of 17 December 2010.

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

² <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

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.

As a consequence of the above, please note that the Fund's Investor Profile sub-section will be updated as follows:

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

- [invest in a Fund compliant with Article 8 of the SFDR](#)
- [achieve](#) capital appreciation by investing in equity securities
- ~~a-growth-investment~~[invest](#) in the biotechnology sector in the US and around the world
- invest for the medium to long term”

FRANKLIN EURO HIGH YIELD FUND

Investment Policy

The Fund seeks to achieve its objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed income debt securities of European or non-European issuers. The Fund will have an allocation to fixed income securities of at least 75%. These financial derivative instruments [\(for which the ESG proprietary scoring methodology, detailed below, does not apply\)](#) may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts either dealt on Regulated Markets or over-the-counter. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. The Fund principally invests in euro-denominated or non-euro denominated euro-hedged, fixed income debt securities with non-investment grade ratings, or if unrated, their equivalent. The Investment Managers attempt to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

[The Fund employs a proprietary environmental, social and governance \(ESG\) rating methodology to evaluate the securities that may be potential investments for the Fund \(the Fund's "Investment Universe"\), and applies certain restrictions as detailed below. The ESG rating methodology is applied to 100% of issuers present in the Fund's portfolio and is binding for the portfolio construction.](#)

[ESG factors are an important component of the Fund's corporate credit research process, combining bottom-up fundamental credit analysis with a review of any material ESG factors to arrive at a holistic assessment of credit strengths, weaknesses and potential risks. The Investment Managers' analysts may work with issuers presenting specific carbon emissions issues so as to improve the risk-management they apply in these areas.](#)

[Across the entire portfolio³, the Fund shall not invest in issuers that:](#)

- [Repeatedly and seriously violate the United Nations Global Compact principles such as](#)
 - [Protection of international human rights](#)
 - [No complicity in human rights violations](#)
 - [Respect for freedom of association and the right to collective bargaining](#)
 - [Elimination of forced labour](#)
 - [Abolition of child labour](#)
 - [Elimination of discrimination in respect of employment and occupation](#)
 - [Precautionary principle in dealing with environmental problems / approach to environmental challenges](#)
 - [Promoting greater environmental awareness / responsibility](#)
 - [Development and dissemination / diffusion of environmentally friendly technologies](#)
 - [Working / Standing up against corruption in all its forms](#)
- [Manufacture nuclear weapons or controversial weapons defined as anti-personnel mines, biological & chemical weaponry; or those that manufacture components intended for use in such weapons;](#)
- [Manufacture of conventional weapons; those that derive revenue from such products that exceeds the Investment Managers' threshold \(5%\);](#)
- [Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Investment Managers' thresholds \(5%\);](#)
- [Adhere to the bespoke list of gambling companies, that are set according to the bespoke gambling policy;](#)
- [Derives more than 5% of their revenue from thermal coal extraction;](#)
- [Score an ESG rating of CCC according to MSCI;](#)

³ A buffer of 5% is allowed for investments in companies that would not fulfil these criteria.

- Are flagged as red for Social Controversy. The flag is derived from the lowest scoring sub-pillar (Customers, Human Rights & Community, and Labor Rights & Supply Chain) within the Social pillar.

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

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily or on an ancillary basis, seek investment opportunities in any other types of euro-denominated securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its net assets in credit-linked securities, which the Investment Managers may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its net assets in securities in default. In addition, the Fund may also invest on an ancillary basis in convertible securities and contingent convertible securities (investments in contingent convertible securities will not exceed 5% of the Fund's net assets).

The name of the Fund reflects the base currency of the Fund being in euro, and does not necessarily imply that any particular proportion of the Fund's net invested assets are made in euro.

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.

FRANKLIN EUROPEAN CORPORATE BOND FUND

Investment Policy

The Fund seeks to achieve its objective by investing principally in investment-grade fixed or floating-rate debt securities of European corporate issuers and euro-denominated debt securities of non-European corporate issuers.

The Fund employs a proprietary environmental, social and governance (ESG) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to the whole portfolio and is binding for the portfolio construction.

The Fund uses a combination of external and internal data inputs to determine the 'climate transition performance' for each issuer (i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels). This may include, but is not limited to, direct emissions trajectory relative to peers, low carbon transition status, management of climate related risks, overall environmental score, energy resource management, management of environmental externalities and energy security risk.

The Fund is prohibited from investing in those issuers that are seen to be the poorest performers in terms of this metric. This is a binding constraint, implemented using compliance restrictions on the issuers that are seen as laggards. As a result, the Fund excludes from its portfolio issuers that score in the bottom 20% of its investable universe.

ESG factors are an important component of the Fund's corporate credit research process, combining bottom-up fundamental credit analysis with a review of any material ESG factors to arrive at a holistic assessment of credit strengths, weaknesses and potential risks. The Investment Managers' analysts may work with issuers presenting specific carbon emissions, water and wastewater issues to improve the risk-management they apply in these areas.

Across the entire portfolio⁴, the Fund shall not invest in issuers that:

- Repeatedly and seriously violate the United Nations Global Compact principles such as
 - Protection of international human rights
 - No complicity in human rights violations
 - Respect for freedom of association and the right to collective bargaining
 - Elimination of forced labour
 - Abolition of child labour
 - Elimination of discrimination in respect of employment and occupation
 - Precautionary principle in dealing with environmental problems / approach to environmental challenges
 - Promoting greater environmental awareness / responsibility

⁴ A buffer of 5% is allowed for investments in companies that would not fulfil these criteria.

- [Development and dissemination / diffusion of environmentally friendly technologies](#)
- [Working / Standing up against corruption in all its forms](#)
- [Manufacture military equipment and/or controversial weapons - those that are defined as being indiscriminate; or those that manufacture components intended for use in such weapons;](#)
- [Manufacture of conventional weapons; those that derive revenue from such products that exceeds the Investment Managers' threshold \(5%\);](#)
- [Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Investment Managers' thresholds \(5%\);](#)
- [Derive more than 5% of their revenue from gambling or adult entertainment;](#)
- [Derive unacceptable levels of revenue from the most polluting fossil fuels;](#)
- [Derives more than 5% of their revenue from thermal coal extraction;](#)
- [Are not using enough lower-carbon energy sources;](#)
- [Exceed our tolerance levels of fossil fuels used to generate electricity;](#)
- [Score an ESG rating of CCC according to MSCI.](#)

[ESG scores for each portfolio company will be reviewed and updated at least annually.](#)

The Fund may also utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments ([for which the ESG proprietary scoring methodology, detailed above, does not apply](#)) may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps, total return swaps on fixed income including loans indices), forward and cross forwards, futures contracts, as well as options. Use of these financial derivative instruments may result in negative exposures in a specific yield curve/duration or currency. The Fund may in addition, in accordance with the investment restrictions, invest in credit-linked securities or other structured products (such as mortgage- or other asset-backed securities and collateralised debt obligations as well as collateralised loan obligations) that derive their value from another European-related index, security or currency. The Fund principally invests in fixed income debt securities either denominated in euro or, if denominated in another currency, hedged into euro.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, for defensive purposes or on an ancillary basis, seek investment opportunities in other types of securities including but not limited to government debt securities, supranational entities organised or supported by several national governments, non-investment grade debt securities, bonds convertible into common stock, preferred stock and warrants. [In addition, the Fund may also invest on an ancillary basis in convertible securities and contingent convertible securities \(investments in contingent convertible securities will not exceed 5% of the Fund's net assets\).](#)

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.

FRANKLIN GLOBAL AGGREGATE BOND FUND

Investment Policy

The Fund seeks to achieve its objective by investing principally in fixed or floating-rate debt securities issued by governments, government-related entities (including supranational organisations supported by several national governments) and corporations worldwide. The Fund invests mainly in investment-grade securities, but may invest up to 30% in non-investment grade securities and may also invest in Emerging Market debt securities.

[The Fund employs a proprietary environmental, social and governance \(ESG\) rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is applied to the whole portfolio and is binding for the portfolio construction.](#)

[The Fund uses a combination of external and internal data inputs to determine the 'climate transition performance' for each government, government-related and corporate issuer \(i.e. the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels\). This may include, but is not limited to, direct emissions trajectory relative to peers, low carbon transition status, management of climate related risks, overall environmental score, energy resource management, management of environmental externalities and energy security risk.](#)

[The Fund is prohibited from investing in those issuers that are seen to be the poorest performers in terms of this metric. This is a binding constraint, implemented using compliance restrictions on the issuers that are seen as laggards. As a result, the Fund excludes from its portfolio issuers that score in the bottom 20% of its investable universe.](#)

In addition, the Fund is not permitted to invest in sovereign bonds issued by countries that have insufficient scoring according to the Freedom House Index.

ESG factors are an important component of the Fund's research process, combining bottom-up fundamental credit analysis with a review of any material ESG factors to arrive at a holistic assessment of credit strengths, weaknesses and potential risks. The Investment Managers' analysts may work with issuers presenting specific carbon emissions, water and wastewater issues to improve the risk-management they apply in these areas.

Across the entire portfolio⁵, the Fund shall not invest in issuers that:

- Repeatedly and seriously violate the United Nations Global Compact principles such as
 - Protection of international human rights
 - No complicity in human rights violations
 - Respect for freedom of association and the right to collective bargaining
 - Elimination of forced labour
 - Abolition of child labour
 - Elimination of discrimination in respect of employment and occupation
 - Precautionary principle in dealing with environmental problems / approach to environmental challenges
 - Promoting greater environmental awareness / responsibility
 - Development and dissemination / diffusion of environmentally friendly technologies
 - Working / Standing up against corruption in all its forms
- Insufficient scoring according to the Freedom House Index for sovereign issuers (<https://freedomhouse.org/report/freedom-world/freedom-world-2018>):
- Manufacture military equipment and/or controversial weapons - those that are defined as being indiscriminate; or those that manufacture components intended for use in such weapons;
- Manufacture of conventional weapons; those that derive revenue from such products that exceeds the Investment Managers' threshold (5%);
- Manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Investment Managers' thresholds (5%);
- Derives more than 5% of their revenue from thermal coal extraction;
- Derive more than 5% of their revenue from gambling or adult entertainment;
- Derive unacceptable levels of revenue from the most polluting fossil fuels;
- Fall short of the Investment Managers' threshold level for using lower-carbon fossil fuels;
- Exceed our tolerance levels of fossil fuels used to generate electricity;
- Score an ESG rating of CCC according to MSCI.

ESG scores for each portfolio issuers will be reviewed and updated at least annually.

The Fund may, in addition, in accordance with the investment restrictions, invest in credit-linked securities or other structured products (such as mortgage- and asset-backed securities, including collateralised debt obligations as well as collateralised loan obligations) that derive their value from an index, security or currency. The Fund may also participate in mortgage dollar roll transactions. The Fund may invest up to 10% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may also utilise certain financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments (for which the ESG proprietary scoring methodology, detailed above, does not apply) may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps and total return swaps on fixed income including loan indices), forwards and cross forwards, futures contracts, as well as options. Use of financial derivative instruments will not exceed 75% of the Fund's net assets.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities including, but not limited to, UCIs, bonds convertible into common stock, preferred stock and warrants.

⁵ A buffer of 5% is allowed for investments in companies that would not fulfil these criteria.

FRANKLIN INNOVATION FUND

Investment Policy

The Fund invests principally in equity securities of companies that are leaders in innovation, take advantage of new technologies, have superior management and benefit from new industry conditions in the dynamically changing global economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities. Investments in convertible securities will not exceed 10% of the Fund's total net assets. The Fund can invest in companies located anywhere in the world, but may have a substantial part of its portfolio invested in companies located or traded in the US, as well as in foreign securities that are traded in the US and American Depository Receipts.

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

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Manager's analysis:

- Seriously violate the United Nations Global Compact Principles (without positive perspective);
- Generate more than 10% of revenue from the production and/or distribution of weapons;
- Are involved in the production, distribution or wholesale trading of dedicated and/or key components of banned weapons⁶ (i.e., antipersonnel mines, biological & chemical weaponry and cluster munitions);
- Manufacture tobacco or tobacco products or those that derive revenue from such products that exceeds 5%;
- Generate more than 10% of their revenue from thermal coal extraction or coal-based power generation.

Furthermore, the Fund will not invest in sovereign issuers which have inadequate scoring according to the Freedom House Index⁷.

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

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

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may in a temporary defensive manner invest up to 100% of the Fund's assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include short-term US government securities, high-grade commercial paper, bank obligations, Money Market Fund shares (including shares of an affiliated Money Market Fund) and other Money Market Instruments. The Fund may also invest up to 5% of its net assets in units of UCI such as UCITS, Exchange Traded Funds ("ETF") as well as other UCIs.

⁶ (a) Weapons according to (i) The Convention of the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction and (ii) The Convention on the Prohibition of Cluster Munitions and (b) weapons classed as either B- or C- weapons pursuant to the United Nations Biological Weapons Convention and the United Nations Chemical Weapons Convention respectively.

⁷ <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

FRANKLIN TECHNOLOGY FUND

Investment Policy

The Fund invests at least two thirds of its net invested assets in 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 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. Since the Investment Manager considers that Environmental, Social and Governance (ESG) factors are particularly relevant to investing in the technology sector and can contribute to the creation of shareholder value, ESG considerations are an integral component of its fundamental investment research. In this respect, the Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Fund's portfolio to determine a company's profile on relevant environmental, social, and governance issues. The Investment Manager evaluates the companies which may be potential investment for the Fund ("Fund's Investment Universe") and assigns an overall ESG rating based on quantitative and qualitative factors such as cybersecurity and data privacy, the usage of controversial materials, support of human capital, diversity and inclusion as well as environmental impact (carbon emissions, ewaste, water usage). The rating assigned to the issuers by the Investment Manager based on the proprietary ESG methodology comprises four grades: AAA (best in class/very good), AA (good), A (fair) and B (needs improvement). The Investment Manager's ESG approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies. Companies rated "B" or those not rated due to the company not meeting the Investment Manager's fundamental criteria are excluded from the Fund's portfolio.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Manager's analysis:

- Seriously violate the United Nations Global Compact Principles (without positive perspective);
- Generate more than 10% of revenue from the production and/or distribution of weapons;
- Are involved in the production, distribution or wholesale trading of dedicated and/or key components of banned weapons⁸ (i.e., antipersonnel mines, biological & chemical weaponry and cluster munitions);
- Manufacture tobacco or tobacco products or those that derive revenue from such products that exceeds 5%;
- Generate more than 10% of their revenue from thermal coal extraction or coal-based power generation.

Furthermore, the Fund will not invest in sovereign issuers which have inadequate scoring according to the Freedom House Index⁹.

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

The Fund invests in 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 investment restrictions, invest (i) up to 10% of its net assets in securities issued by private companies and Private Investments in Public Equity (PIPEs) and (ii) up to 5% of its net assets in special purpose acquisition companies (SPACs) provided that the contemplated PIPEs and SPACs qualify as transferable securities under paragraphs (1) or (2) a) of Article 41 of the Law of 17 December 2010.

⁸ a) Weapons according to (i) The Convention of the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction and (ii) The Convention on the Prohibition of Cluster Munitions and (b) weapons classed as either B- or C- weapons pursuant to the United Nations Biological Weapons Convention and the United Nations Chemical Weapons Convention respectively.

⁹ <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

The Fund may also invest in equity or debt securities of any type of foreign or US issuer as well as in American, European or Global Depositary Receipts.

FRANKLIN U.S. OPPORTUNITIES FUND

Investment Policy

The Fund invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities.

The Fund principally invests in small, medium, and large-capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The Investment Manager focuses on sectors that have exceptional growth potential and fast-growing, innovative companies within these sectors.

In addition to solid management and sound financial records are factors the Investment Manager also considers Environmental, Social and Governance (ESG) factors as an integral component of its fundamental investment research and decision process. In this respect, the Investment Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Fund's portfolio to determine a company's profile on relevant environmental, social, and governance issues. The Investment Manager evaluates the companies which may be potential investment for the Fund ("Fund's Investment Universe") and assigns an overall ESG rating based on quantitative and qualitative indicators such as health and safety, data security, diversity and inclusion as well as environmental impact (measured by greenhouse gas emissions and carbon footprint). The rating assigned to the issuers by the Investment Manager based on the proprietary ESG methodology comprises four grades: AAA (best in class/very good), AA (good), A (fair) and B (needs improvement). The Investment Manager's ESG approach includes regular dialogue with companies, monitoring material ESG issues and voting proxies. Companies rated "B" or those not rated due to the company not meeting the Investment Manager's fundamental criteria are excluded from the Fund's portfolio.

The Fund also applies specific ESG exclusions and will not invest in companies which according to the Investment Manager's analysis:

- Seriously violate the United Nations Global Compact Principles (without positive perspective);
- Generate more than 10% of revenue from the production and/or distribution of weapons;
- Are involved in the production, distribution or wholesale trading of dedicated and/or key components of banned weapons¹⁰ (i.e., antipersonnel mines, biological & chemical weaponry and cluster munitions);
- Manufacture tobacco or tobacco products or those that derive revenue from such products that exceeds 5%;
- Generate more than 10% of their revenue from thermal coal extraction or coal-based power generation.

Furthermore, the Fund will not invest in sovereign issuers which have inadequate scoring according to the Freedom House Index¹¹.

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

Although the Investment Manager searches for investments across a large number of sectors, the Fund, from time to time, may have significant positions in particular sectors such as technology (including electronic technology, technology services, biotechnology and health care technology). The Fund may also, in accordance with the investment restrictions, invest (i) up to 5% of its net assets in securities issued by private companies and Private Investments in Public Equity (PIPEs) and (ii) up to 5% of its net assets in special purpose acquisition companies (SPACs) provided that the contemplated PIPEs and SPACs qualify as transferable securities under paragraphs (1) or (2) a) of Article 41 of the Law of 17 December 2010.

¹⁰ (a) Weapons according to (i) The Convention of the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction and (ii) The Convention on the Prohibition of Cluster Munitions and (b) weapons classed as either B- or C- weapons pursuant to the United Nations Biological Weapons Convention and the United Nations Chemical Weapons Convention respectively.

¹¹ <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

TEMPLETON ASIAN BOND FUND

Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers, and corporate entities located throughout Asia. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank.

For sovereign issuers, the Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess ~~government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores:~~ each country that issues sovereign bonds that are existing or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of sub-categories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test best represents the investment worthiness of a country and also promotes ESG by investing in countries that are expected to improve from an ESG perspective.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction. As an initial step in its methodology, the Investment Manager scores each country that issues sovereign debt that may be potential investments for the Fund on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global indexes providers. The Investment Manager's team will then use internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories.

Projected ~~numbers~~scores in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ~~ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.~~ For corporate issuers, the Fund utilises ESG ratings according to external providers (MSCI) and restates those ratings to correspond to a scale of 0–100 (100 being the highest). The ESG methodology is applied to 100% of the corporate debt holdings in the Fund's portfolio and is binding for the portfolio construction.

The weighted average base ESG score of the sovereign and corporate issuers in the Fund's portfolio is higher than the average base ESG score of the Fund's respective investment universe.

The Investment Manager monitors countries and corporate issuers that (i) are below the minimum ESG threshold (the lowest 20% of ESG rated countries and the lowest 20% of ESG rated corporate issuers, respectively) and (ii) in the case of sovereign issuers, present meaningful projected deteriorating scores, with a view to evaluate the potential divestment of sovereign bonds issued by countries that demonstrate no improvement over time. When the disposition of an existing position is not feasible due to legal or regulatory restrictions or exceptional market circumstances the investment team shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be. Countries or corporate issuers that are subject to international economic sanctions, including sanctions imposed by the United Nations, the European Union or the United States Office of Foreign Assets Control are excluded from the Fund's investment universe.

The countries and corporate issuers in the Fund's investment universe, the ESG subcategories, weightings for environment, social and governance, and the global reference indices used for scoring are reviewed at least bi-annually and may change over time.

The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), ~~forwards and cross forwards~~, futures contracts (including those on government securities), as well as currency forwards, cross forwards and currency options. The ESG methodology is applied to the notional value of derivatives used to gain long positions in interest rates, currencies or credit exposures. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities linked to assets or currencies of any Asian country or deriving its value from another security. The Fund may also purchase mortgage- and asset-backed securities and convertible bonds. The Fund may invest in investment-grade and non-investment grade debt securities issued by Asian issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also participate in

mortgage dollar roll transactions. The Fund may invest up to 40% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

The Fund may invest up to 33% of its net assets, either directly or through the use of financial derivative instruments, in fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of Asia which are impacted by economic or financial dynamics in Asia. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

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.

TEMPLETON EMERGING MARKETS BOND FUND

Investment Policy

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating-rate debt securities (including non-investment grade securities) and debt obligations issued by government and government-related issuers or corporate entities located in developing or Emerging Market countries. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as CIBM direct).

For sovereign issuers, the Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess each country that issues sovereign bonds that are existing or potential investments for the Fund. The Investment Manager's methodology captures not only a country's current ESG score based on a variety of sub-categories but more importantly, any expected improvement or deterioration in the country's ESG practices. The Investment Manager believes that this two-pronged test best represents the investment worthiness of a country and also promotes ESG by investing in countries that are expected to improve from an ESG perspective.

The ESG methodology is applied to 100% of the sovereign debt holdings in the Fund's portfolio and is binding for the portfolio construction. As an initial step in its methodology, the Investment Manager scores each country that issues sovereign debt that may be potential investments for the Fund on a scale of 0–100 (100 being the highest) in various ESG subcategories that the Investment Manager has determined to have significant impact on macroeconomic conditions.

Within the ESG subcategories, the methodology leverages baseline rankings from a set of recognized global indexes providers. The Investment Manager's team will then use internal proprietary research as a forward-looking overlay on those baseline current scores, to assess whether the Investment Manager expects countries to improve or deteriorate in each of the subcategories.

~~government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores.~~

Projected ~~numbers~~ scores in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings.

~~ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.~~

For corporate issuers, the Fund utilises ESG ratings according to external providers (MSCI) and restates those ratings to correspond to a scale of 0–100 (100 being the highest). The ESG methodology is applied to 100% of the corporate debt holdings in the Fund's portfolio and is binding for the portfolio construction.

The weighted average base ESG score of the sovereign and corporate issuers in the Fund's portfolio is higher than the average base ESG score of the Fund's respective investment universe.

The Investment Manager monitors countries and corporate issuers that (i) are below the minimum ESG threshold (the lowest 20% of ESG rated countries and the lowest 20% of ESG rated corporate issuers, respectively) and (ii) in the case of sovereign issuers, present meaningful projected deteriorating scores, with a view to evaluate the potential divestment of sovereign bonds issued by countries that demonstrate no improvement over time. When the disposition of an existing position is not feasible due to legal or regulatory restrictions or exceptional market circumstances the investment team shall aim to reduce the position as soon as reasonably practicable or legally permissible, as the case may be. Countries or corporate issuers that are subject to international economic sanctions, including sanctions imposed by the United Nations, the European Union or the United States Office of Foreign Assets Control are excluded from the Fund's investment universe.

The countries and corporate issuers in the Fund's investment universe, the ESG subcategories, weightings for environment, social and governance, and the global reference indices used for scoring are reviewed at least bi-annually and may change over time.

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and investment purposes. These financial derivative instruments may be either dealt on Regulated Markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), ~~forwards and cross forwards~~, futures contracts (including those on government securities), as well as currency forwards, cross forwards and currency options. The ESG methodology is applied to the notional value of derivatives used to gain long positions in interest rates, currencies or credit exposures. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities linked to assets or currencies of any developing or Emerging Market country or deriving its value from another security. In addition, the Fund may purchase preferred stock, common stock and other equity-linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

The Fund may invest up to 33% of its net assets, either directly or through the use of financial derivative instruments, in fixed and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of developing or Emerging Market countries which are impacted by economic or financial dynamics in developing or Emerging Market countries. The Fund may invest up to 25% of its net assets in debt securities issued or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

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.

TEMPLETON EMERGING MARKETS SUSTAINABILITY FUND

Investment Objectives

The Fund's has an investment objective ~~is both~~ of capital appreciation and reorientation of capital towards sustainability through investing in companies that demonstrate their positive sustainable contribution ~~positive outcomes by investing in companies whose products and/or services contribute to one or more positive social and/or environmental outcome areas across Basic Needs, Wellbeing, Decent Work, Healthy Ecosystems, Climate Stability, and Resource Security, linked to United Nations Sustainable Development Goals (UN SDGs).~~

In addition, the eighth paragraph of its investment policy is amended as follows:

The Fund may invest up to 20% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, through qualified foreign institutional investor (QFI) portfolios, UCIs and/or any permissible means available to the Fund under prevailing laws and regulations) and in China B-Shares.

As a consequence of the above, please note that the Fund's Investor Profile sub-section will be updated as follows:

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

- invest in a Fund compliant with Article 89 of the SFDR
- for capital appreciation and ~~positive outcomes by~~ reorientation of capital towards sustainability through investing in companies ~~of Emerging Markets whose products and/or services contribute to one or more positive social and/or environmental outcome areas~~ that demonstrate their positive sustainable contribution
- to invest for the medium to long term

Finally, the Fund's Taxonomy Regulation sub-section will be updated as follows:

"Taxonomy Regulation

In line with its ESG investment methodology and sustainable investment objective, the Fund ~~promotes environmental, social and governance characteristics and~~ intends to ~~make some~~ invest in one or more investments ~~in taxonomy-aligned sustainable activities including environmentally sustainable activities such as those contributing~~ that contribute to climate change mitigation and climate change adaptation. ~~objectives. The~~ As described in the Fund's investment policy, the Fund's equity investments are assessed and measured regarding their ability to contribute to the aforementioned objectives. The process and assessment is conducted at the Investment Manager's level and is based on analysis against EU technical screening criteria for sustainable economic activities, ensuring that eligible activities meet the criteria, as well as do no significant harm to remaining taxonomy objectives, whilst ensuring compliance with minimum social safeguards. As the Fund is focused on

investing in emerging markets, in addition to relying on mainstream ESG data providers, the investment team will also engage as need be with investee companies to obtain relevant ESG-related information directly as part of the commitment of best efforts to source data to fulfil the technical screening criteria process.

As of the date of this Prospectus, it is however not yet possible to commit to the Fund's minimum alignment with the Taxonomy Regulation, as the Investment Manager is not in a position to specify the exact proportion ~~/percentage~~ of the Fund's underlying investments which take into account the EU criteria for environmentally sustainable economic activities, including enabling or transitional activities, within the meaning of the Taxonomy Regulation. It is however expected that **at least** a low proportion of the investments will be in taxonomy- aligned environmentally sustainable activities (including investments in enabling and transitional activities).

The Investment Manager is keeping this situation under active review and where further adequate, sufficient reliable, timely and verifiable data on Fund's investments and relevant technical criteria become available, a re-assessment will be made and this Prospectus will be updated accordingly to accurately disclose to what extent the Fund's investments are in taxonomy-aligned environmentally sustainable activities, including the proportions of investments in enabling and transitional activities selected for the Fund.

~~Investors should note that the “do no significant harm” principle under Taxonomy Regulation applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Fund do not take into account the EU criteria for environmentally sustainable economic activities under the Taxonomy Regulation.~~

Also in line with its ESG methodology, the Fund may hold sustainable investments that are expected to contribute to other environmental objectives such as sustainable use and protection of water and marine resources and transition to a circular economy. In the future, technical screening criteria are expected to be set out under the Taxonomy Regulation to determine the conditions under which an economic activity qualifies as contributing substantially to these objectives. No such criteria are available at present, therefore, whilst these investments qualify as “sustainable investments” under the SFDR, they cannot currently qualify as environmentally sustainable investments as defined under the current terms of the Taxonomy Regulation.”