

Product Profile

Product Details

Composite Assets	€1,067,857,816.95
Inception Date	31/07/2006
Base Currency	EUR
Investment Style	Multi-Sector

Overview¹

- Emerging market debt strategy that takes an absolute return approach, whereby we will only invest in countries or securities we find attractive, irrespective of benchmark weights
- Diversified portfolio of hard and local currency emerging market issuers
- Return Target: 8–10% per annum over the course of a full market cycle

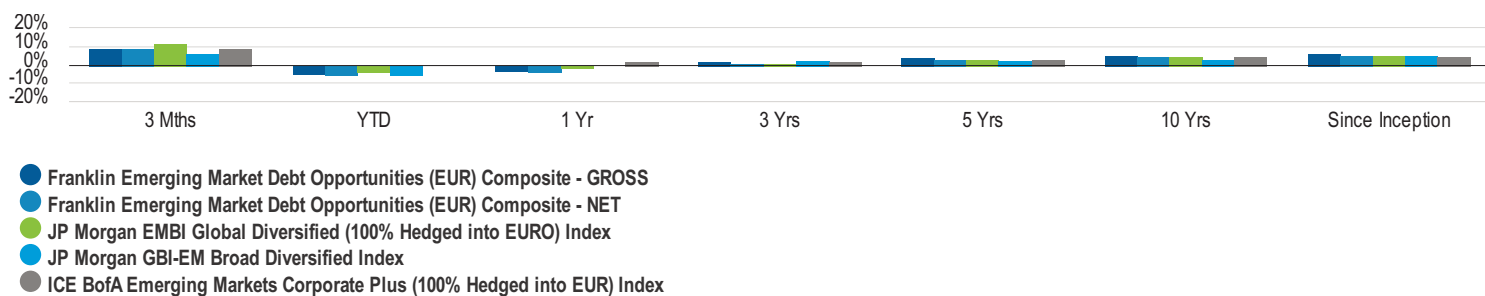
Performance Data

Average Annual Total Returns (EUR %)²

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (31/07/2006)
Franklin Emerging Market Debt Opportunities (EUR) Composite - GROSS	9.19	-5.03	-3.43	1.56	3.96	5.43	6.19
Franklin Emerging Market Debt Opportunities (EUR) Composite - NET	9.00	-5.36	-4.11	0.85	3.24	4.65	5.42
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	11.88	-3.68	-1.86	0.91	3.08	4.72	5.40
JP Morgan GBI-EM Broad Diversified Index	5.92	-5.44	-0.39	2.22	2.57	3.10	5.49
ICE BofA Emerging Markets Corporate Plus (100% Hedged into EUR) Index	8.82	-0.53	1.97	2.02	2.95	4.43	4.88
JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index	11.61	-4.63	-3.33	0.46	-	-	-

1. Targets represent the goal the strategy seeks against the JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index and do not take into account management fees or other expenses an investor would incur in the management of its account, which would reduce any returns. There is no assurance that employment of the strategy will result in the intended targets being achieved.

2. Periods of more than one year are annualised. **Past performance is not an indicator or a guarantee of future performance.**



Calendar Year Returns (EUR %)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Franklin Emerging Market Debt Opportunities (EUR) Composite - GROSS	9.10	-2.05	8.47	13.25	2.22	3.56	2.61	12.71	4.12	17.61
Franklin Emerging Market Debt Opportunities (EUR) Composite - NET	8.35	-2.73	7.72	12.47	1.51	2.85	1.89	11.83	3.18	16.54
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	11.66	-7.04	8.21	8.32	0.74	7.09	-5.58	16.82	7.39	11.63
JP Morgan GBI-EM Broad Diversified Index	14.27	0.14	0.06	11.96	-1.99	11.28	-11.27	12.99	1.58	22.08
ICE BofA Emerging Markets Corporate Plus (100% Hedged into EUR) Index	9.38	-3.85	4.95	8.01	0.67	3.40	-1.19	15.17	4.04	12.06
JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index	11.09	-6.94	8.33	8.34	-	-	-	-	-	-

Portfolio Manager Insight

Market Review

EM hard-currency government bonds : +12.26%

- Ten-year US Treasury yields fell just one basis points (bp) during the second quarter, to 0.66% at the end of June.
- After more than doubling in the first quarter, the spread-to-worst of US dollar-denominated EM government debt fell 153 bps in the second quarter, to 474 bps by the end of June.
- Brent crude oil prices recovered to US\$41.27 per barrel by the end of June.

EM local-currency government bonds (unhedged, in US-dollar terms) : +8.42%

- EM local-currency bond yields fell by 65 bps during the quarter.
- Most EM currencies recovered somewhat during the second quarter, relative to the US dollar.

EM hard-currency corporate bonds (hedged into US dollars) : +9.15%

- EM corporate spreads narrowed less than spreads on EM government bonds.

Performance Review³

Angolan US-dollar bonds were the main contributor to performance.

- Falling oil prices weighed on the government's budget. But in June, it was reported that China had agreed to grant Angola a three-year moratorium on interest and principal payments.

Argentine local-currency bonds also contributed.

- Prices for domestic-law bonds rebounded as high yields and capital controls compelled foreigners to reinvest cashflows. Inflation-linked bonds did well as inflation rose to 43.4% in May year-on-year.

Tunisian government bonds in Japanese yen were the main detractor from returns.

- The crisis has hit Tunisia's informal workers and workers in agriculture and tourism. The strategy holds Japanese yen-denominated Tunisian bonds, which are less liquid than euro- and US dollar-denominated bonds.

Outlook & Strategy

- EM debt rebounded in the second quarter, and we expect consolidation for the remainder of 2020.
- We believe EM debt continues to offer attractive yields in a world of low interest rates and ample liquidity.
- The impact of the coronavirus crisis on EM economies has varied. Those countries with reserves have fared best. Others have continued to access capital markets. Frontier markets have faced the greatest pressures.
- The crisis has yet to shape domestic politics, but few elections are slated for the remainder of 2020.
- Oil prices are expected to be range-bound, which would support EM valuations.

- Investors are likely to follow negotiations in Argentina, Ecuador and Lebanon. These represent a small weight in the hard-currency index (around 2.5%) but a significant part of its spread-to-worst.

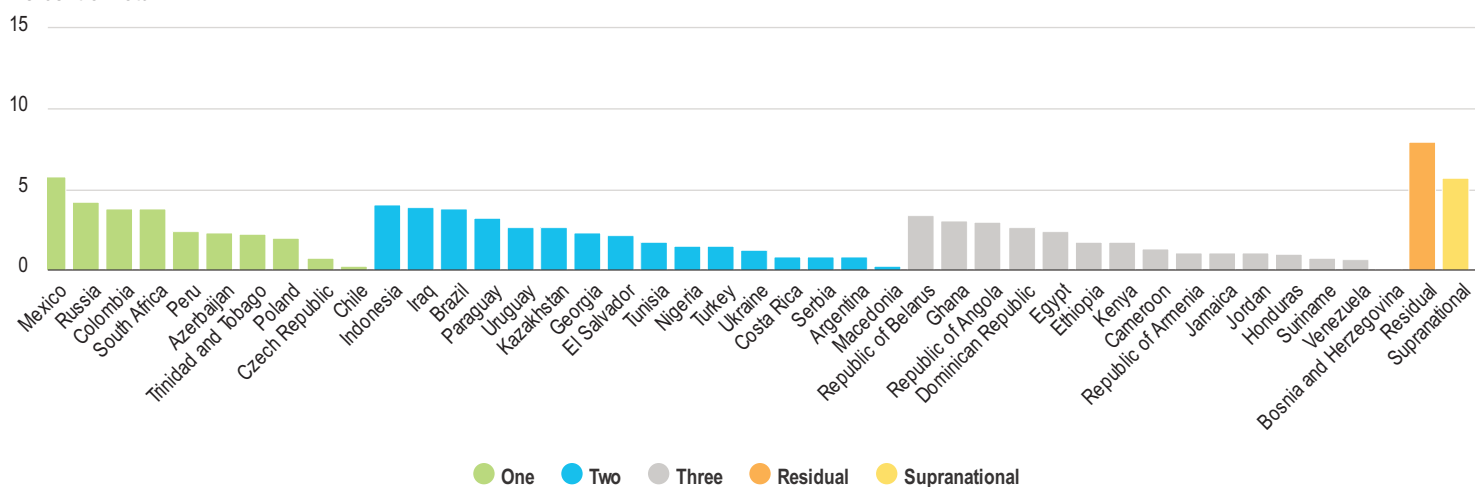
Portfolio Characteristics of a Representative Account^{3,4,5}

	Portfolio	JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index
Number of Securities Including Cash	121	826
Yield to Maturity	6.27%	5.27%
Yield to Worst	6.27%	5.26%
Average Duration	4.08 Yrs	7.83 Yrs
Average Credit Quality ⁶	BB+	BB+
Average Weighted Maturity	5.61 Yrs	12.48 Yrs
Duration to Worst	4.08 Yrs	7.81 Yrs

Portfolio Diversification of Representative Account^{3,5,7}

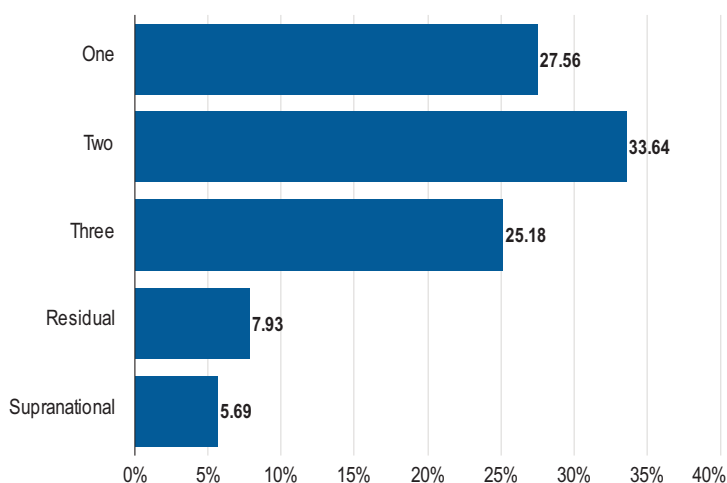
Country Allocation

Percent of Total



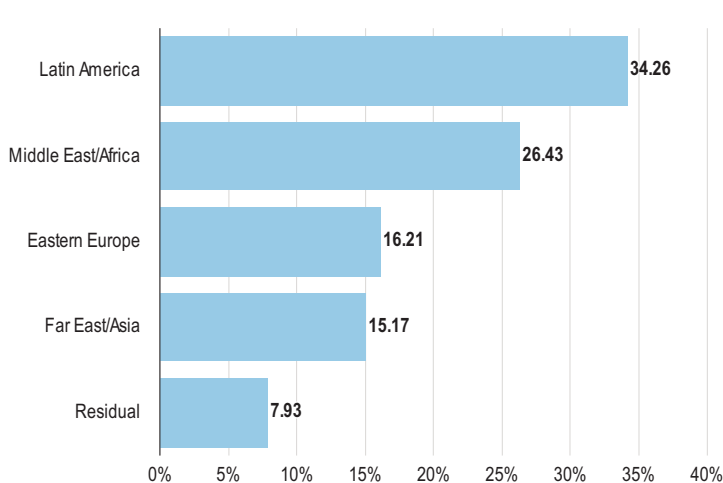
Risk Category Allocation

Percent of Total



Geographic Allocation

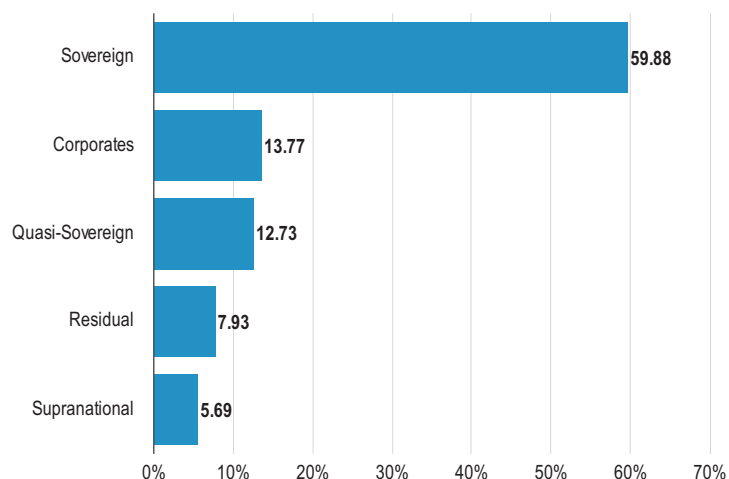
Percent of Total



6. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate the average credit rating of the portfolio's underlying investments and generally ranges from AAA (highest) to D (lowest). For unrated bonds, cash and equivalents, ratings may be assigned based on the ratings of the issuer, the ratings of the underlying holdings of a pooled investment vehicle, or other relevant factors. The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of investments by market value and rounding to the nearest rating. The risk of default increases as a bond's rating decreases, so the ACQ provided is not a statistical measurement of the portfolio's default risk because a simple, weighted average does not measure the increasing level of risk from lower-rated bonds. The ACQ may be lower if cash and equivalents are excluded from the calculation. The ACQ is provided for informational purposes only. Derivative positions are not reflected in the ACQ.

Portfolio Allocation

Percent of Total

**Supplemental Performance Statistics****Supplemental Performance Statistics (EUR)^{8,9}**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Emerging Market Debt Opportunities (EUR) Composite	9.65	8.53	7.20	10.04
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	10.31	8.82	7.93	9.26
Tracking Error (%)	3.52	3.99	4.22	5.99
Information Ratio¹⁰	0.18	0.22	0.17	0.13
Beta	0.88	0.87	0.77	0.88
Sharpe Ratio				
Franklin Emerging Market Debt Opportunities (EUR) Composite	0.23	0.54	0.79	0.56
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	0.15	0.42	0.62	0.53

Investment Philosophy

Our philosophy is that a diversified portfolio consisting of issues denominated in hard and local currencies has the potential to generate attractive returns at lower levels of absolute risk than the standard emerging market debt benchmarks, which tend to be concentrated in a few issuers. We believe that a bottom up, research-driven, qualitative investment process, combined with a risk-controlled approach, has the potential to achieve our objective of outperforming standard benchmarks at low levels of absolute risk.

Investment Process

Franklin's Emerging Market Debt Opportunities investment process can be summarised in three integral steps—country allocation, currency allocation and issuer selection.

8. Risk statistics are calculated using gross of fees composite performance.

9. Information Ratio and Tracking Error information are displayed for the product versus the JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index.

10. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Ongoing Monitoring and Risk Management

1. Country Allocation

2. Currency Allocation

3. Issuer Selection

Countries are ranked into three risk categories (high/medium/low)

- Yield vs. Fundamentals
- Improving Credit
- Potential to Help the Strategy Meet its Investment Objective

Hard vs. Local Currency Assessment

- Yield vs. Risk
- Volatility
- Liquidity
- Relative Pricing

Sovereign Debt

Emerging Market Credit
(Sovereign, Quasi-Sovereign, Corporate)

Local Asset Management

Corporate Credit

Emerging Market Equity

Investment Team

Portfolio Manager

	Years with Firm	Years Experience
Nicholas Hardingham, CFA	17	20
Fatma Charlwood	16	17
Philip Spires	14	25
Robert Nelson, CFA	12	19
Stephanie Marjan Ouwendijk, CFA	5	12

Additional Resources

Corporates - Investment Grade	Global Sovereign/EMD	Local Asset Management
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Product Managers

	Years with Firm	Years Experience
Stuart Lingard	9	22

Important Legal Information

Franklin claims compliance with the Global Investment Performance Standards (GIPS®).

Franklin (the "Firm") is a global investment management group that manages equity, fixed income, balanced accounts, REIT funds and private funds, as well as multi-asset strategies, fund-of-fund portfolios, risk premia strategies and ETFs for institutional and retail clients. For multi-asset strategies and fund-of-fund portfolios, the Firm may invest in various investment strategies advised by registered investment advisory entities within Franklin Resources, Inc. or unaffiliated investment managers. The Firm definition includes Franklin Templeton Multi-Asset Solutions (FTMAS), Franklin Mutual Advisers (FMA), Franklin LibertyShares® ETFs, and Franklin Venture Partners in addition to Franklin Equity Group, Franklin Templeton Fixed Income Group, and Templeton Global Macro. FTMAS includes Franklin Systematic and fund-of-fund portfolios previously under Franklin Bissett. The Firm definition excludes wrap-fee and non-wrap-fee accounts managed by Franklin Separately Managed Accounts and alternative strategies managed by K2, Pelagos and Franklin Real Asset Advisors. The Firm is comprised of individuals representing various registered investment advisories of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton (formerly Franklin Templeton Investments).

Franklin Emerging Market Debt Opportunities (EUR) Composite consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to achieve an above total return by investing in emerging market sovereign, quasi-sovereign and corporate debt instruments in both local and G7 currencies. In addition, the strategy may invest in below investment grade bonds (rated below BBB-). The strategy is not constrained by benchmark weightings and may take tactical exposure to G7 as well as to emerging market currencies, but with the objective of managing to the base currency needs of a euro (EUR) investor. The strategy regularly uses currency forwards, options, interest rate futures, credit-linked notes and, on a somewhat less frequent basis, other derivatives such as swaps (including credit default swaps and total return swaps) for hedging purposes or for investment to control risk or assume tactical exposure to various foreign currencies or asset classes consistent with the investment objective. Occasionally, the strategy may engage in writing puts and calls on securities.

Total returns are presented in euros both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings. Total returns are presented in U.S. dollars both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings. Periods greater than one year are shown as average annual total returns. Performance data is shown rounded to the nearest hundredth. **Past performance is not an indicator or a guarantee of future performance.** When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.

The first benchmark is the JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index, a market value weighted index which consists of USD denominated securities issued by emerging market sovereign and quasi-sovereign entities where the currency risk has been hedged to EUR. The second index, to capture local currency instruments but with returns expressed in euro, is the JPM GBI-EM Broad Diversified EUR-Unhedged Index which is comprised of local currency government bonds of emerging market countries. The third benchmark was changed to The BofA Emerging Markets Corporate Plus (100% Hedged into EURO) Index. This benchmark is a capitalisation weighted fixed income index hedged to the euro and comprised of emerging markets non-sovereign debt publicly issued within the major domestic and European markets. Prior to this, the benchmark was Merrill Lynch Emerging Markets Credit Plus (100% Hedged into EURO) Index. The index was changed as it is a more appropriate benchmark given the significant changes to composition and constituents of Emerging Markets Corporate benchmark. Effective June 1, 2020 the JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index was added as a supplemental benchmark. JP Morgan EMBI Global Diversified ex GCC Index is a market value weighted fixed income index comprised of U.S. Dollar (USD) denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities excluding countries included in the Gulf Cooperation Council (GCC). JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index is supplemental benchmark provided for comparison purposes only. Because a few countries dominate most emerging markets indices (Brazil, Russia, and Mexico comprise 30% of the JP Morgan EMBI Global Diversified Index and Brazil, China, India, Mexico and Poland comprise 50% of the JP Morgan GBI-EM Broad Diversified Index), Franklin does not base its asset allocation upon any emerging market index. Rather, Franklin's asset allocation is constrained by three sets of investment guidelines consisting of currency denomination, regions, and country selection. Although Franklin's strategy in emerging market debt is not managed to a benchmark, the four indices are included in the presentation for comparative purposes, to represent the investment environment existing during the time periods shown. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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3. Portfolio information is based on a representative account taken from the Franklin Emerging Market Debt Opportunities (EUR) Composite. The information is historical, may not reflect current or future characteristics and may vary significantly among individual separate accounts depending on a variety of factors such as portfolio size, specific investment guidelines and inception dates of the individual accounts.

4. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. **Past performance is not an indicator or a guarantee of future performance.**

5. All holdings are subject to change.

7. Percentage may not equal 100% due to rounding.

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South Africa: Franklin Templeton Investments SA (PTY) Ltd., which is an authorised Financial Services Provider. Kildare House, The Oval, 1 Oakdale Road, Newlands, 7700 Cape Town, South Africa. Tel +27 (21) 831 7400, Fax +27 (21) 831 7422, www.franklintempleton.co.za

Switzerland: Franklin Templeton Switzerland Ltd., Stockerstrasse 38, CH-8002 Zurich, Switzerland. Tel +41 44 217 81 81, Fax +41 44 217 81 82, info@franklintempleton.ch

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