

Product Profile

Product Details

Composite Assets	€1,158,731,502.10
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

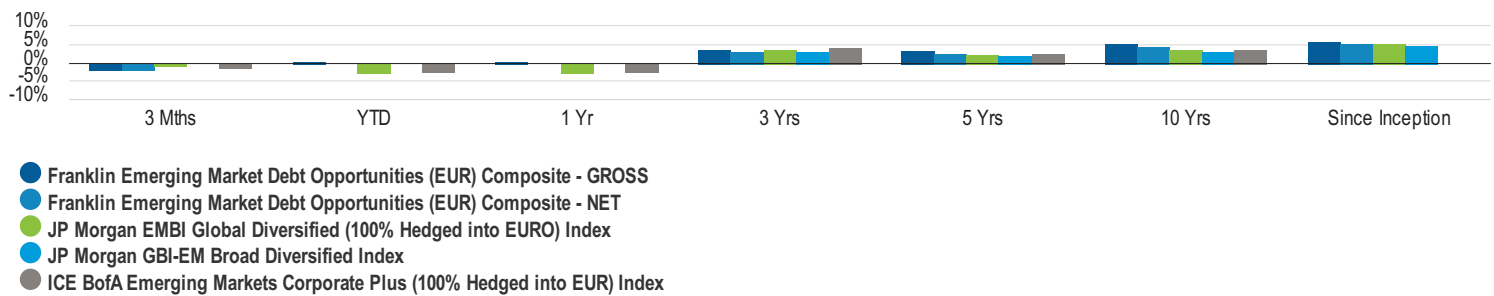
Performance Data

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	-1.84	0.46	0.46	3.86	3.55	5.14	6.11
Franklin Emerging Market Debt Opportunities (EUR) Composite - NET	-2.01	-0.24	-0.24	3.14	2.84	4.40	5.34
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	-0.77	-2.82	-2.82	3.95	2.47	3.83	5.16
JP Morgan GBI-EM Broad Diversified Index	-0.13	-0.07	-0.07	3.05	1.86	2.99	5.02
ICE BofA Emerging Markets Corporate Plus (100% Hedged into EUR) Index	-1.40	-2.21	-2.21	4.12	2.64	3.84	-
JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index	-1.12	-3.46	-3.46	3.33	2.15	-	-

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 %)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Franklin Emerging Market Debt Opportunities (EUR) Composite - GROSS	0.46	2.22	9.10	-2.05	8.47	13.25	2.22	3.56	2.61	12.71
Franklin Emerging Market Debt Opportunities (EUR) Composite - NET	-0.24	1.51	8.35	-2.73	7.72	12.47	1.51	2.85	1.89	11.83
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	-2.82	3.50	11.66	-7.04	8.21	8.32	0.74	7.09	-5.58	16.82
JP Morgan GBI-EM Broad Diversified Index	-0.07	-4.17	14.27	0.14	0.06	11.96	-1.99	11.28	-11.27	12.99
ICE BofA Emerging Markets Corporate Plus (100% Hedged into EUR) Index	-2.21	5.54	9.38	-3.85	4.95	8.01	0.67	3.40	-1.19	15.17
JP Morgan EMBI Global Diversified ex-GCC (100% Hedged into EURO) Index	-3.46	2.89	11.09	-6.94	8.33	8.34	-	-	-	-

Portfolio Manager Insight

Market Review

Emerging market (EM) hard-currency government bonds : -0.44%

- US inflation hit 6.8% in the 12 months to November—its highest level for almost four decades—while US benchmark 10-year Treasuries were little changed over the fourth quarter as a whole, ending the year at 1.51%.
- The spread-to-worst of US-dollar EM government bonds widened 12 basis points (bps) during the quarter.
- Brent crude oil prices ended at US\$77.80 per barrel, marginally lower over the quarter.

EM local-currency government bonds (unhedged, in US-dollar terms) : -2.00%

- EM local-currency bond yields rose 34 bps during the quarter.
- EM currencies mostly weakened.

EM hard-currency corporate bonds (hedged into US dollars) : -1.12%

- EM corporate spreads also widened moderately during the quarter.

Performance Review^a

US-dollar bonds of Suriname were the main contributor to performance.

- The International Monetary Fund (IMF) approved a finance agreement with Suriname, and the board approval resulted in an immediate disbursement of US\$55 million. In addition, buyers pushed up bond prices in a fairly illiquid market.

Exposure to the Turkish lira proved the main detractor from performance.

- Despite soaring inflation, Turkey's central bank reduced rates further and the Turkish lira slumped to a record low against the US dollar in late November.

Ukrainian US-dollar bonds also detracted from performance.

- Russian President Vladimir Putin's increasingly hostile rhetoric about Ukraine's ties with the West exacerbated concerns about the potential for renewed conflict between the two countries.

Outlook & Strategy

- EMs continue to recover from the pandemic, with noticeably better fundamentals as a result, including improved fiscal balances, as economic growth boosts tax revenues, and significantly lower debt-to-GDP (gross domestic product) ratios.
- EMs' fiscal buffers have also benefited from a new allocation of special drawing rights by the IMF.
- In our view, key risks include a renewed economic slowdown, higher inflation and a sharper-than-expected tightening of US monetary policy.
- Nevertheless, EM bonds are arguably in a stronger position than during previous episodes of US monetary tightening due to less significant external vulnerabilities, better positioning and technicals, more appropriate monetary policies, and generally lower corporate leverage.

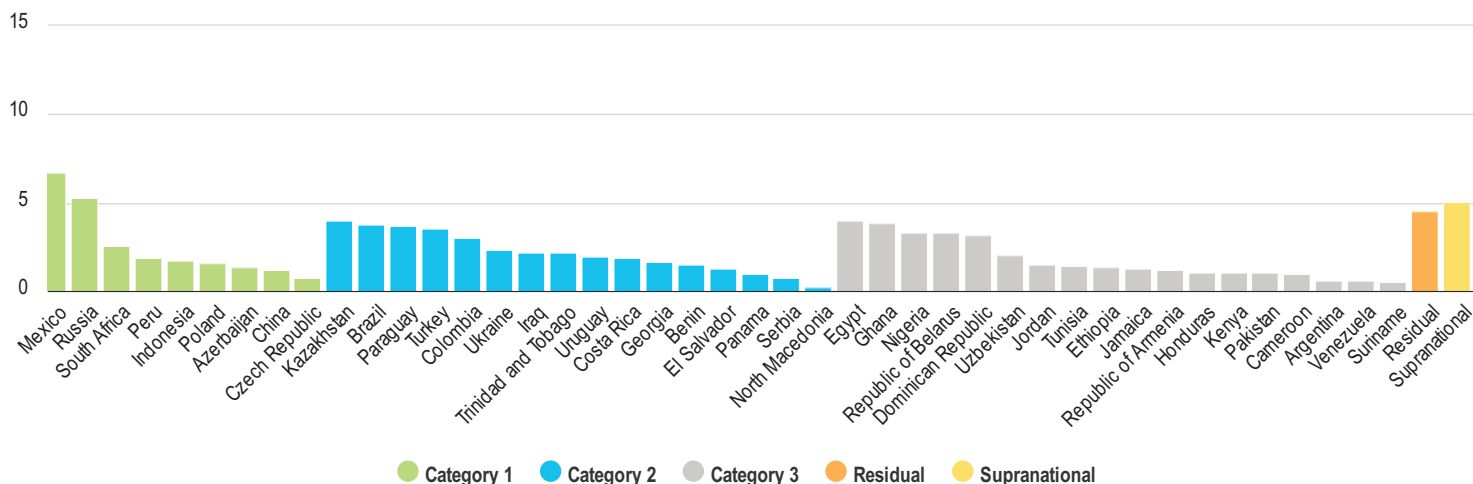
Portfolio Characteristics of a Representative Account^{a,b,c}

	Portfolio	JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index
Number of Securities Including Cash	125	966
Yield to Maturity	6.90%	5.08%
Yield to Worst	6.87%	5.05%
Average Credit Quality ³	BB	BB+
Duration to Worst	4.71 Yrs	7.95 Yrs

Portfolio Diversification of Representative Account^{a,c,d}

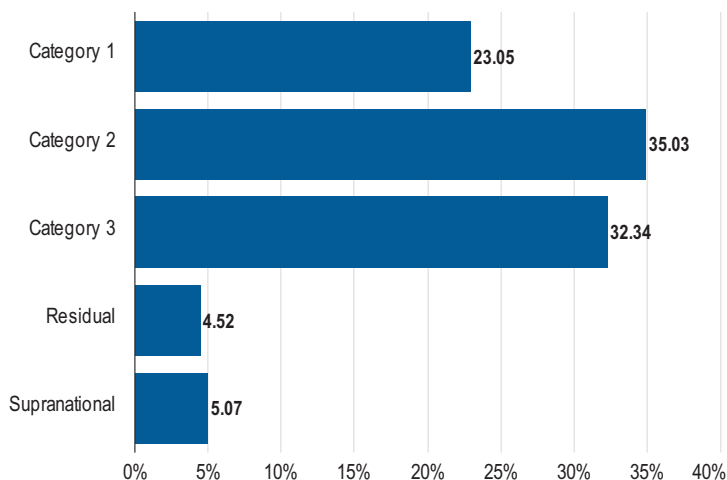
Country Allocation⁴

Percent of Total



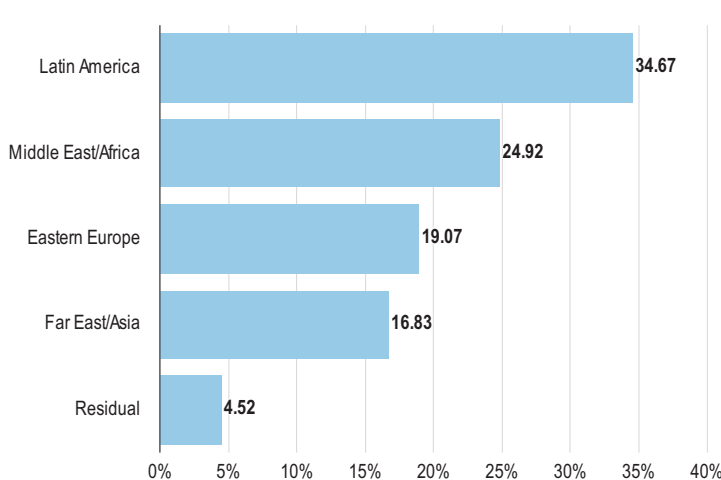
Risk Category Allocation

Percent of Total



Geographic Allocation

Percent of Total

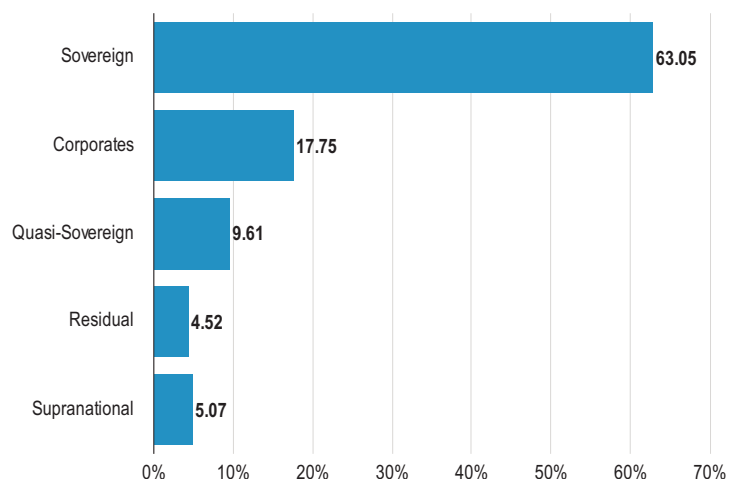


3. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate 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.

4. Countries are assigned to one of three risk categories. Category One (maximum allocation of 16%) are considered lower risk of default, category Two (maximum allocation of 8%) are considered moderate risk of default and category Three (maximum allocation of 4%) are considered higher risk of default. The category Residual refers to cash and cash equivalents. The category Funds refers to a private limited partnership fund focused on global distressed debt. The categorisation of a particular country is subject to periodic review and may change.

Portfolio Allocation

Percent of Total

**Performance Statistics****Performance Statistics (EUR)^{5,6}**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Emerging Market Debt Opportunities (EUR) Composite	9.66	7.88	7.00	9.62
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	10.65	8.75	7.78	9.01
Tracking Error (%)	3.78	3.45	4.12	5.81
Information Ratio⁷	-0.02	0.31	0.32	0.16
Beta	0.85	0.83	0.77	0.87
Sharpe Ratio				
Franklin Emerging Market Debt Opportunities (EUR) Composite	0.47	0.54	0.79	0.59
JP Morgan EMBI Global Diversified (100% Hedged into EURO) Index	0.43	0.36	0.55	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.

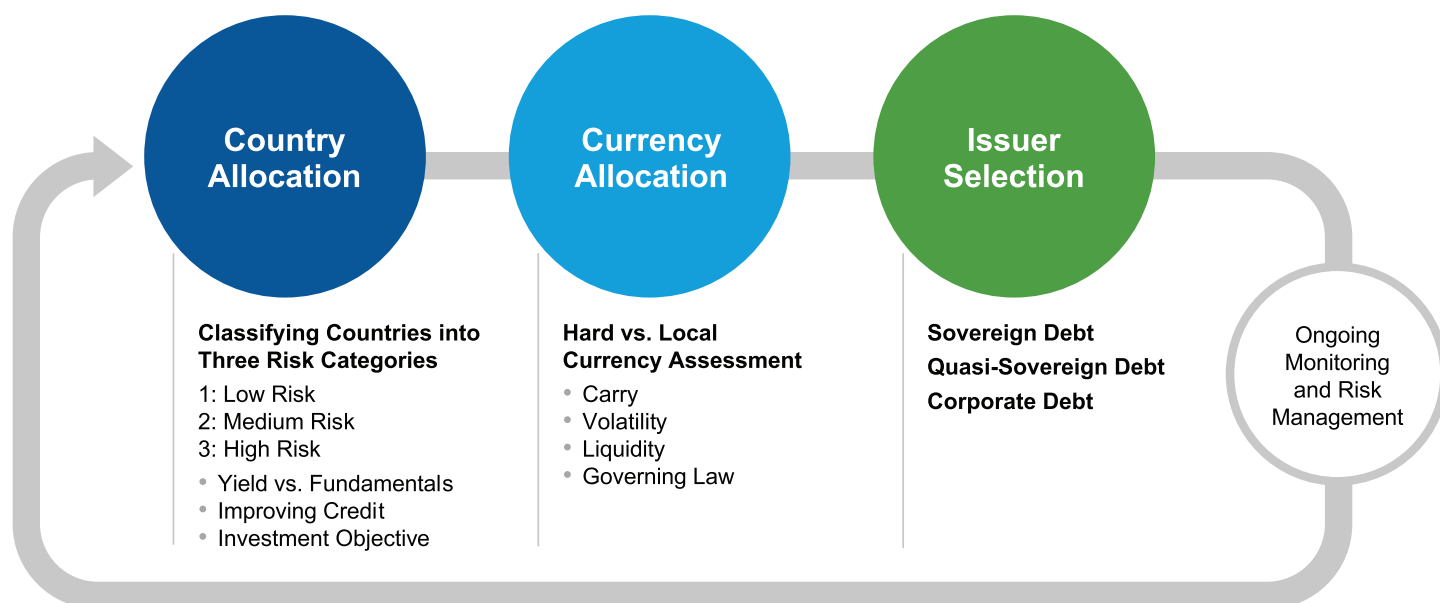
Investment Process

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

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

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

7. 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).



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Nicholas Hardingham, CFA	19	22
Fatma Charlwood	18	19
Philip Spires	15	27
Robert Nelson, CFA	14	21
Stephanie Marjan Ouwendijk, CFA	6	14

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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-). Effective January 2017, accounts with investment constraints on securities rated below B- are also included in the composite. 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 uses currency forwards, options, interest rate futures, and credit-linked notes. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency, or credit.

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. 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.

All investments are subject to certain risks, including possible loss of principal. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Derivative instruments have the risk of counterparty default. Below investment grade bonds will have more credit risk, may be less liquid and may have a greater risk of default than higher-quality, investment grade bonds. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors and are less liquid. Securities markets can fluctuate significantly in response to industry, financial or economic developments, and unexpected events, such as the spread of deadly diseases or disasters, can cause investor fear and panic, which can adversely affect companies, sectors and the market in general. Investors should review their investment objectives, risk tolerance and liquidity needs before choosing a manager. There is no guarantee that investment strategies will work under all market conditions and investors should evaluate their ability to invest for the long term, especially during periods of market downturns.

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- 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.
- 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.**
- All holdings are subject to change.
- Percentage may not equal 100% due to rounding.

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