

## Product Profile

### Product Details

Fund Assets	\$134,000,547.72
Fund Inception Date	18/10/2012
Base Currency	AUD
Investment Style	Multi-Sector
ARSN	160 124 096

### Overview<sup>1</sup>

- Multi-sector global fixed income funds that invest in government, securitised and corporate sectors, and may tactically invest up to 20% of the portfolio in high yield, bank loans, and emerging market debt.
- Alpha Target: 75–175 basis points (gross of fees)
- Expected Tracking Error Target: 150–350 basis points (gross of fees)

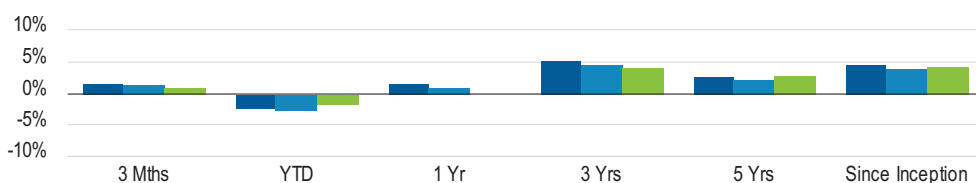
### Performance Data<sup>a</sup>

#### Average Annual Total Returns (Institutional, AUD %)<sup>2</sup>

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (31/10/2012)
Franklin Templeton Global Aggregate Bond Fund - Gross of Fees Institutional	1.48	-2.29	1.54	5.14	2.76	4.67
Franklin Templeton Global Aggregate Bond Fund - Net of Fees Institutional	1.37	-2.52	1.05	4.60	2.22	4.12
Bloomberg Barclays Global Aggregate (Hedged into AUD) Index	0.94	-1.61	-0.17	4.03	2.87	4.38

#### Average Annual Total Returns (Wholesale, AUD %)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (01/01/2013)
Franklin Templeton Global Aggregate Bond Fund - Gross of Fees Wholesale	1.49	-2.28	1.54	5.09	2.73	4.56
Franklin Templeton Global Aggregate Bond Fund - Net of Fees Wholesale	1.35	-2.55	1.00	4.49	2.14	3.96
Bloomberg Barclays Global Aggregate (Hedged into AUD) Index	0.94	-1.61	-0.17	4.03	2.87	4.34



- Franklin Templeton Global Aggregate Bond Fund - Gross of Fees Wholesale
- Franklin Templeton Global Aggregate Bond Fund - Net of Fees Wholesale
- Bloomberg Barclays Global Aggregate (Hedged into AUD) Index

1. Targets represent the goal the strategy seeks against the Bloomberg Barclays Global Aggregate (Hedged into AUD) 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 (Wholesale, AUD %)

	2020	2019	2018	2017	2016	2015	2014
Franklin Templeton Global Aggregate Bond Fund - Gross of Fees Wholesale	5.48	10.41	1.55	2.07	1.62	4.85	13.05
Franklin Templeton Global Aggregate Bond Fund - Net of Fees Wholesale	4.89	9.77	0.95	1.47	1.02	4.23	12.39
Bloomberg Barclays Global Aggregate (Hedged into AUD) Index	5.09	7.19	1.65	3.68	5.24	3.35	10.37

## Portfolio Manager Insight

## Market Review

- Global bond markets, despite falling in June, were up slightly in US-dollar terms in the second quarter of 2021.
- The US Federal Reserve (Fed) maintained its policies in April, while Fed Chair Jay Powell stated that the rollout of vaccinations, in tandem with unprecedented fiscal support, had improved economic activity and employment.
- US data released in May were largely positive, although strong inflation data led to significant speculation as to whether the Fed might begin to reassess its policy on asset purchases and short-term interest rates.
- The Fed made no changes to its policies in its June meeting, although it admitted that rising inflation had become a matter for concern.
- Against this backdrop, benchmark US Treasury yields were volatile, ending the quarter significantly lower overall.
- Figures released in April showed that the eurozone had fallen into a 'double-dip' recession, although in May there were encouraging signs that the region was bouncing back.
- Fears that rising inflation could threaten the economic recovery were downplayed by the European Central Bank, which maintained its policies over the period.
- In the markets, German Bund yields ended the three-month period up, though still within negative territory.
- Corporate securities outperformed their government bonds over the period. Emerging market issues also performed relatively well, notwithstanding a rebound in the US dollar late in the period.

## Performance Review

- Sector allocation and security selection contributed to relative performance, notably a non-benchmark exposure to US corporate high-yield industrial bonds, although this was diluted by the detrimental bearing of selection in this area.
- Positioning in US mortgage-backed securities, hard-currency emerging market debt and US corporate investment-grade industrial issues also added relative value.
- Currency positioning also added to relative returns, notably overweight allocations to the Mexican peso, South African rand and Indonesian rupiah, all of which appreciated against the Australian dollar.
- Duration and yield-curve positioning weighed on relative performance, held back largely by underweight duration stances on Australian and US bonds, as rates fell in these markets.

## Outlook &amp; Strategy

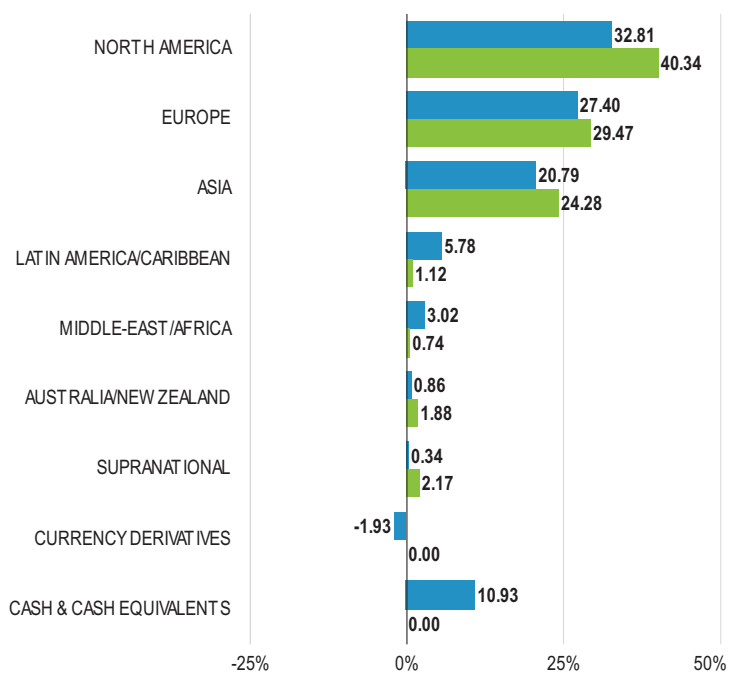
- Despite our optimism for a sustainable and robust recovery in the world's major economies, we see a few potential pitfalls on the horizon.
- Amid broader uncertainty on the inflation and employment outlook, we believe that adjusting its exceptionally loose monetary stance at the right time and pace will be a difficult task for the Fed.
- We believe the Fed's June meeting shifted the tone of the discussion, and reminded investors that down the line, tapering is inevitable.
- In Europe, the economic backdrop has improved, with the region enjoying a strong rebound. However, we believe that the magnitude of the recovery could be unsustainable.
- We continue to favour select areas in high-yield and emerging market spaces.

Portfolio Characteristics<sup>b,c,d</sup>

	Portfolio	Bloomberg Barclays Global Aggregate (Hedged into AUD) Index
Number of Securities Including Cash	180	27196
Yield to Maturity	1.94%	1.12%
Yield to Worst	1.87%	1.11%
Average Credit Quality <sup>3</sup>	A-	AA-
Average Duration	5.15 Yrs	7.41 Yrs
Average Weighted Maturity	6.11 Yrs	8.98 Yrs

Portfolio Diversification<sup>e</sup>Geographic Allocation vs. Bloomberg Barclays Global Aggregate (Hedged into AUD) Index<sup>e</sup>

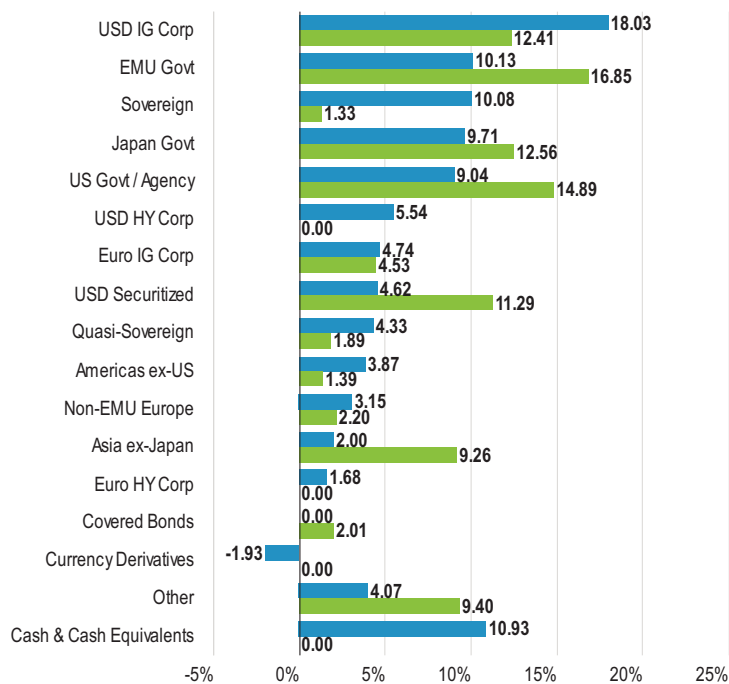
Market Value—Percent of Total



● Franklin Templeton Global Aggregate Bond Fund  
 ● Bloomberg Barclays Global Aggregate (Hedged into AUD) Index

Sector Allocation vs. Bloomberg Barclays Global Aggregate (Hedged into AUD) Index<sup>e</sup>

Market Value—Percent of Total



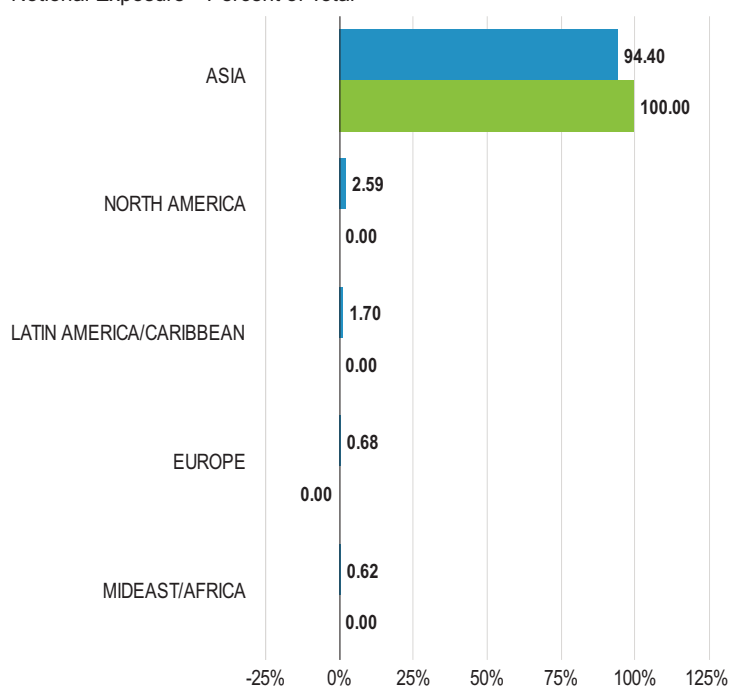
● Franklin Templeton Global Aggregate Bond Fund  
 ● Bloomberg Barclays Global Aggregate (Hedged into AUD) Index

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.

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**Currency Exposure vs. Bloomberg Barclays Global Aggregate (Hedged into AUD) Index<sup>f</sup>**

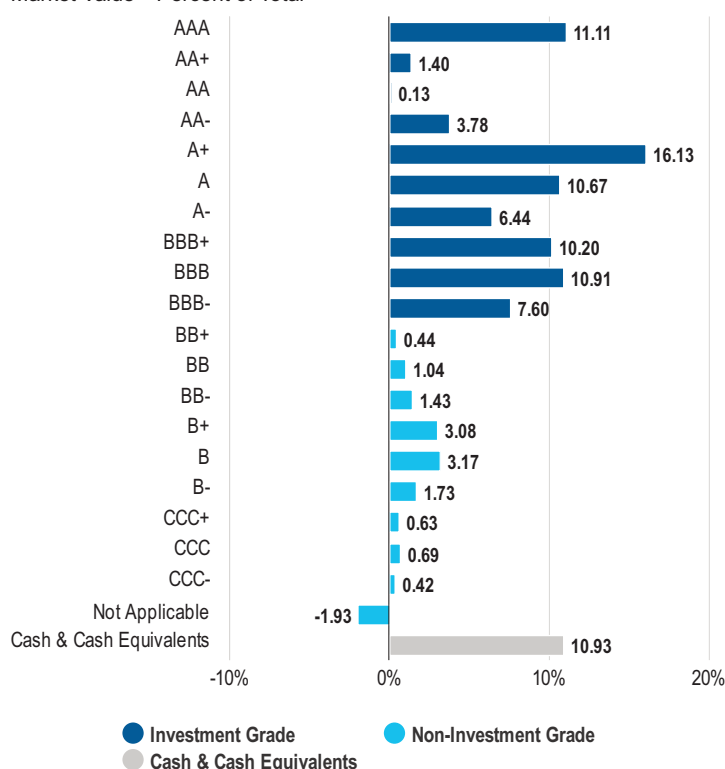
Notional Exposure—Percent of Total



● Franklin Templeton Global Aggregate Bond Fund  
● Bloomberg Barclays Global Aggregate (Hedged into AUD) Index

**Credit Quality Allocation<sup>g,4</sup>**

Market Value—Percent of Total



● Investment Grade ● Non-Investment Grade  
● Cash & Cash Equivalents

**Performance Statistics**

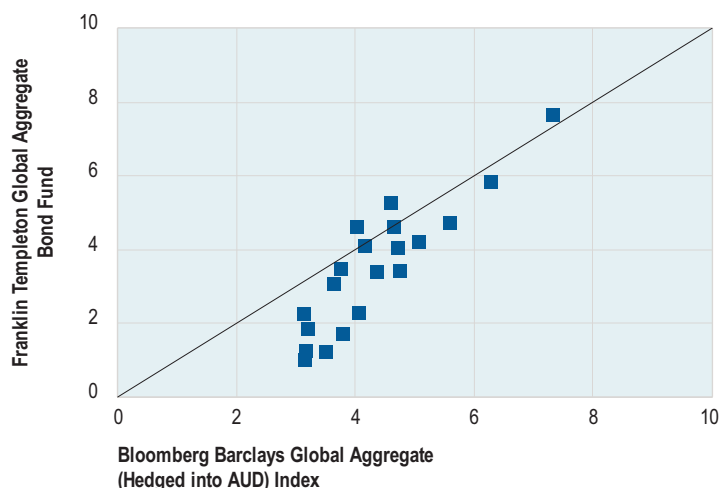
**Performance Statistics (Wholesale, AUD)<sup>5</sup>**

	3 Yrs	5 Yrs	Since Inception
<b>Standard Deviation (%)</b>			
Franklin Templeton Global Aggregate Bond Fund	4.83	4.32	-
Bloomberg Barclays Global Aggregate (Hedged into AUD) Index	3.03	2.73	2.79
<b>Tracking Error (%)</b>	2.94	2.62	-
<b>Information Ratio<sup>6</sup></b>	0.16	-0.28	-
<b>Beta</b>	1.31	1.31	-
<b>Sharpe Ratio</b>			
Franklin Templeton Global Aggregate Bond Fund	0.74	0.19	-
Bloomberg Barclays Global Aggregate (Hedged into AUD) Index	1.03	0.58	0.75

**Past performance is not an indicator or a guarantee of future performance.**

**Historical Long-term Performance**

Quarterly rolling three-year net returns of W Class in AUD (%) since 01/01/2013 as of 30/06/2021.



**Investment Philosophy**

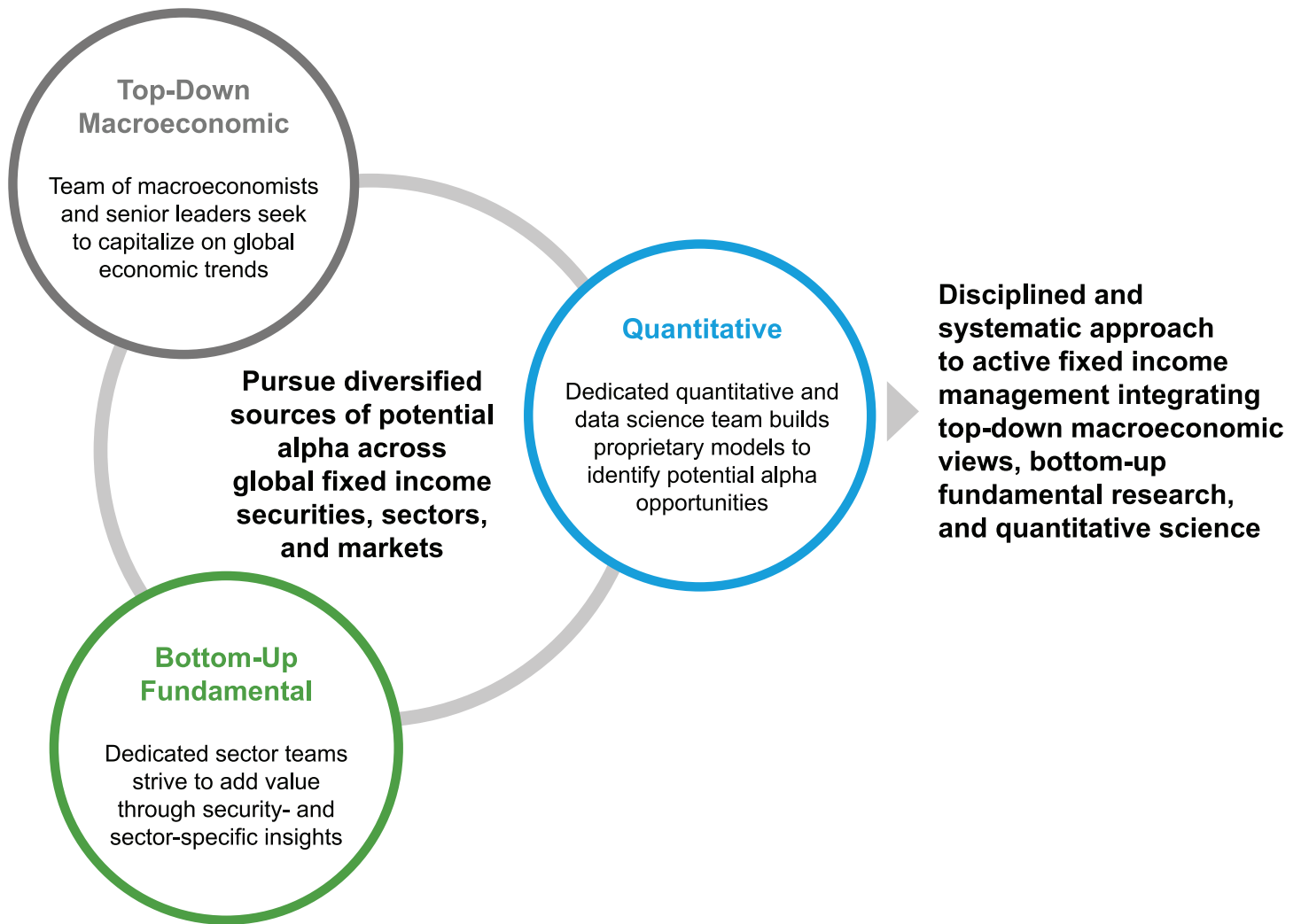
Franklin Templeton Fixed Income believes that integrating top-down macroeconomic views, bottom up fundamental research, and quantitative science provides us with a competitive edge to navigate challenging investment environments, pursue consistent alpha, and better serve our clients.

4. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

5. Beta, Information Ratio and Tracking Error information are measured against the Bloomberg Barclays Global Aggregate (Hedged into AUD) Index.

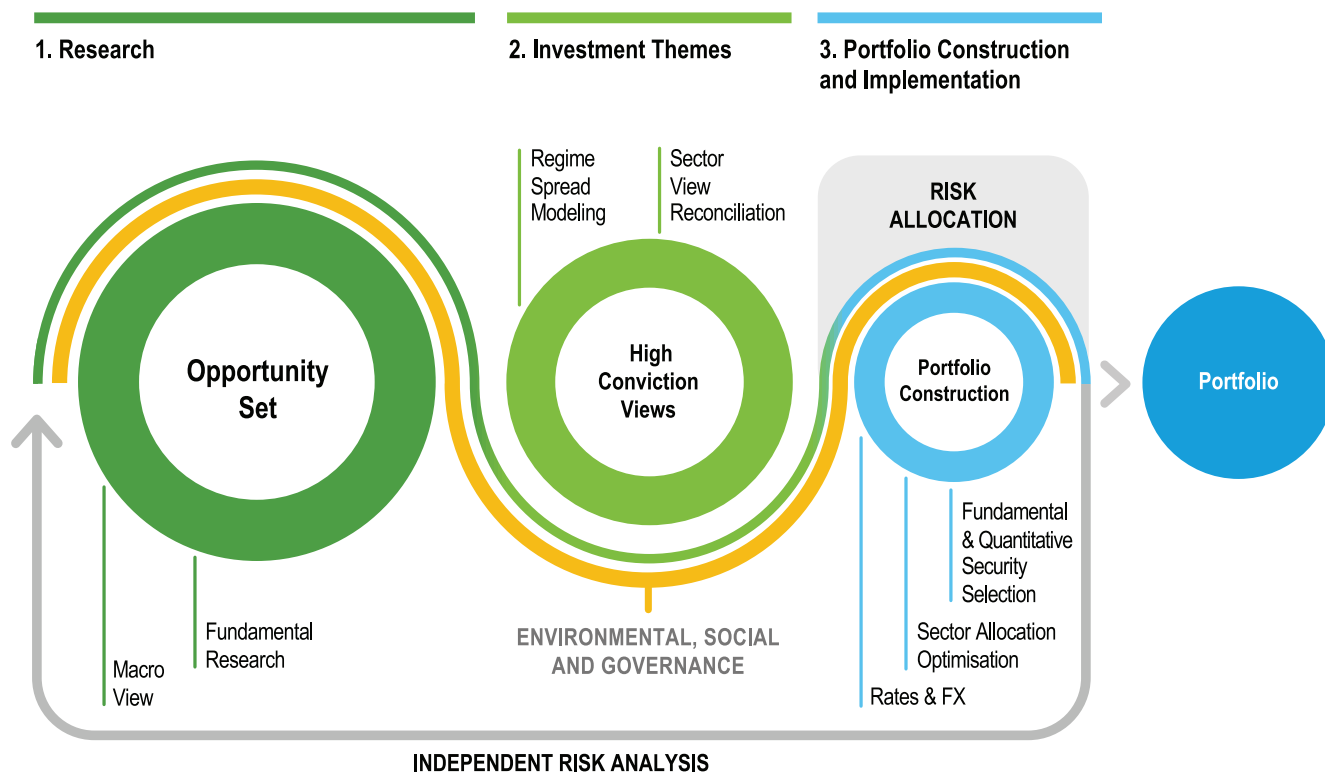
6. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return)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

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### Investment Process

Our investment process marries independently derived macroeconomic and fundamental sector-specific research with quantitative insights.



### Research

The Quarterly Research and Strategy Forum is the starting point for our investment process. At this forum the Fixed Income Strategy & Research Team (FIRST), which includes all Franklin Templeton fixed income investment professionals and representatives from other Franklin Templeton investment teams, present and debate independently derived macro, fundamental, and quantitative research. The purpose is to establish key investment themes for the next six to 12 months.

Individual sector teams dedicated to global sovereigns/quasi sovereigns, corporate credit and securitised debt, are responsible for preparing and presenting independent research which culminates in a fundamentals-driven outlook and recommendation for their sectors.

### Investment Themes

Our proprietary model provides unbiased forecast of spreads in each sector. Applying economic forecasts and machine learning, the model maps this forecast to an historic economic regime /environment considering how spreads in different sectors have behaved.

We perform a reconciliation between the macro views, quantitative input, fundamental views, and cross sector considerations to arrive at high conviction spread forecasts across all sectors.

Comparing expected spreads with prevailing market spreads identifies which sectors look expensive relative to our forecast 'fair value' and which sectors look cheap.

The goal of this process is to provide the investment team with a high conviction view of expected spreads, to aid in the portfolio optimising process.

### Portfolio Construction and Implementation

We use a sophisticated portfolio optimisation to maximise expected excess return for a given level of risk. Sector allocation, coupled with our top-down macro views, drive the final allocations for each strategy.

We conduct a 'neighbourhood analysis' to determine optimal allocation bands. This process seeks to ensure that risk is efficiently allocated to our highest conviction views in a way that is consistent, repeatable, and designed for accountability.

Each sector allocation is then populated with the highest conviction securities of each sector team. This process brings together factor-based quantitative security rankings and active fundamental credit recommendations into prioritised, potential buy and sell lists at the security level.

Material environmental, social, and governance (ESG) issues are an integral component of our bottom-up research and risk/return forecasts. Analysts have access to multiple ESG data sources to help build a qualitative view of each issuer and security.

### Risk Management

Throughout the portfolio construction process, portfolio managers collaborate with our independent Investment Risk Management Group, using a mosaic of risk metrics, to monitor and evaluate the level and sources of risk in each portfolio, and to ensure the allocation of risk is commensurate with the forward-looking views of the investment team, level of conviction, and the portfolio's investment objectives and guidelines.

**Investment Team**

<b>Portfolio Manager</b>	<b>Years with Firm</b>	<b>Years Experience</b>
David Zahn, CFA	15	27
John Beck	31	34
Patrick A. Klein, Ph. D.	15	16
Sonal Desai, Ph. D.	11	27

**Important Legal Information**

Franklin (the "Firm") is a global investment management group that manages equity, fixed income, balanced accounts, REIT funds, private funds, as well as multi-asset strategies, fund-of-fund portfolios, risk premia strategies, ETFs, GCC fixed income and Sukuk strategies 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 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. Effective 1 October 2020, Franklin Templeton Multi-Asset Solutions and QS Investors combined to form Franklin Templeton Investment Solutions. Assets from QS Investors are not included in the Franklin Firm Definition. In addition, the Firm excludes wrap-fee and non-wrap-fee accounts managed by Franklin Separately Managed Accounts and alternative strategies managed by K2. The Firm is comprised of individuals representing various registered investment advisories of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton.

Franklin Templeton Global Aggregate Bond Fund consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to achieve above average total return by investing primarily in global bonds that can be described as from "core" sectors: global government bonds, mortgage-backed securities, agencies and global corporate bonds. The remaining securities may be invested in "non-core" sectors: emerging market debt, global high yield bonds and global inflation-linked securities (including Treasury Inflation Protected Securities or "TIPS"). The strategy uses currency forwards, options, interest rate futures and 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. In addition, the firm uses foreign currency forward contracts in conjunction with the normal settlement of security trades in currencies other than the base currency of each account.

Total returns are presented in Australian 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.**

The Bloomberg Barclays Global Aggregate Index is a market value weighted fixed income index comprised of investment grade securities from global and regional fixed income markets. The benchmark is broadly indicative of the style of the composite and is provided for comparative purposes only 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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a. The Fund's Inception Date is 18 October 2012, and the Fund's W Share Class and I Share Class inception date is 7 December 2012 and 18 October 2012, respectively. The Fund's W Share Class and I Share Class Since Inception performance is calculated starting 1 January 2013 and 31 October 2012, respectively, due to the availability of fee data used for calculating fund returns.

b. Yield to Maturity, Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in portfolio (or their underlying reference assets).

c. All holdings are subject to change.

d. 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.**

e. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

f. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

g. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

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