



Franklin Templeton Multisector Bond Fund

Multi-Sector
Fixed Income
30 September 2022

Product Profile

Product Details

Fund Assets	\$27,967,835.57
Fund Inception Date	05/08/2009
Number of Securities Including Cash	101
Base Currency	AUD
Investment Style	Multi-Sector
ARSN	137 298 714

Overview¹

- High alpha-seeking, multi-sector global fixed income fund that may invest across the entire global fixed income opportunity set, including government, securitised and corporate sectors. Below investment-grade exposure is limited to no more than 50% of portfolio net assets at the time of investment.
- Tracking Error: 400–700* basis points (annualised, gross of fees)
- Alpha: 400–700* basis points (annualised, gross of fees)
- The Fund is hedged into AUD against movements in the value of the U.S. dollar

Performance Data

Average Annual Total Returns (Institutional, AUD %)²

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/08/2009)
Franklin Templeton Multisector Bond Fund - I Class - Gross of Fees	-7.56	-19.34	-20.32	-9.31	-6.77	-0.74	3.10
Franklin Templeton Multisector Bond Fund - I Class - Net of Fees	-7.69	-19.68	-20.76	-9.85	-7.37	-1.40	2.41
Bloomberg Multiverse (Hedged into AUD) Index	-3.68	-12.98	-12.98	-3.59	-0.17	2.52	4.34
Operationally Hedged Bloomberg (USD Returns Translated into AUD) Index	-7.20	-20.50	-21.07	-6.21	-2.76	-0.05	2.44

Average Annual Total Returns (Wholesale, AUD %)³

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (02/09/2009)
Franklin Templeton Multisector Bond Fund - W Class - Gross of Fees	-7.56	-19.49	-20.48	-9.38	-6.81	-0.76	3.14
Franklin Templeton Multisector Bond Fund - W Class - Net of Fees	-7.76	-20.02	-21.16	-10.17	-7.65	-1.66	2.20
Bloomberg Multiverse (Hedged into AUD) Index	-3.68	-12.98	-12.98	-3.59	-0.17	2.52	4.22
Operationally Hedged Bloomberg (USD Returns Translated into AUD) Index	-7.20	-20.50	-21.07	-6.21	-2.76	-0.05	2.31

1. There is no assurance that the fund will achieve its investment objectives. The fund is managed in a benchmark-unconstrained manner, so the expected risk and return profile is provided solely to illustrate the manager's expectations with respect to fund characteristics, based on the fund's historical experience during normal market conditions. **Past performance is not an indicator or a guarantee of future performance. Thus, the characteristics do not take into account future market risks or changing economic conditions and are not a prediction or guarantee of future performance.** An investor in the fund may experience significantly different risk and return characteristics including greater volatility, higher tracking error and lower returns than the expected characteristics, including the potential for loss of principal amounts invested. Risk and return characteristics 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 and affect the risk characteristic measurements.

2,3. 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 %)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Franklin Templeton Multisector Bond Fund - W Class - Gross of Fees	-4.64	-5.08	-2.93	0.20	3.97	7.60	-2.12	3.99	8.49	24.54
Franklin Templeton Multisector Bond Fund - W Class - Net of Fees	-5.45	-5.93	-3.82	-0.73	3.01	6.61	-3.03	3.03	7.50	23.44
Bloomberg Multiverse (Hedged into AUD) Index	-1.39	5.07	7.43	1.46	4.04	5.80	3.22	10.05	2.55	10.12
Operationally Hedged Bloomberg (USD Returns Translated into AUD) Index	-4.65	8.44	6.11	-1.48	8.35	4.11	-1.07	3.07	0.17	8.74

Portfolio Manager Insight

Market Review

- Tightening monetary policy continued to be a dominant theme in the third quarter of 2022. Following a brief respite in July, sovereign bond yields continued their upward trend across much of the world as central banks embarked on or accelerated policy rate hikes to curb inflation.
- The US Federal Reserve continued the hiking cycle it had started in March, raising the fed funds target rate by 75 basis points (bps) at both of its July and September meetings, bringing the fed funds target rate to 3.00%–3.25%. US Treasury (UST) yields also surged to multi-year highs during the period. The 10-year UST yield rose 82 bps to 3.83% over the quarter. The shorter end of the curve bore the brunt of changed rate expectations and saw the two-year UST yield rise by 132 bps to 4.28%.
- A pause in the US dollar's upward march in July proved short-lived, and it strengthened further against almost all developed and emerging market currencies during the third quarter.

Performance Review

- In the third quarter of 2022, currency positions detracted from the portfolio's absolute performance, as did overall credit exposures. Interest-rate strategies contributed to absolute results.
- Amongst currencies, positions in the South Korean won, Japanese yen, Chinese yuan, Thai baht, Indian rupee, Ghanaian cedi, Colombian peso, Argentine peso and Brazilian real detracted from the portfolio's absolute performance.
- Amongst credit exposures, subinvestment-grade sovereign credits detracted from the portfolio's absolute return.
- The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Duration exposures in Argentina and Brazil contributed to absolute results.

Outlook & Strategy

- The Russia-Ukraine war continues to generate uncertainty in global growth and financial markets. While we expect moderation in the pace of global growth, substantial disruptions to the flow of food, energy and other commodities through Europe will have material impacts on its economic growth, with varying ripple effects globally.
- We continue to expect inflation to remain above historical averages due to differing factors in individual regions. Even where inflation has likely peaked, it is anticipated to remain high for some time yet.
- We expect developed market sovereign bonds to face continued headwinds amid the global tightening cycle, while certain emerging markets that have stayed ahead of the curve by maintaining already high rates or hiking rates ahead of others should be in a stronger position.

Portfolio Characteristics^{a,b,4,c}

	Portfolio	Bloomberg Multiverse (Hedged into AUD) Index
Number of Securities Including Cash	101	32094
Yield to Maturity	9.12%	4.00%
Average Credit Quality ⁵	BBB+	AA-
Average Duration	1.27 Yrs	6.63 Yrs
Average Weighted Maturity	3.60 Yrs	8.50 Yrs

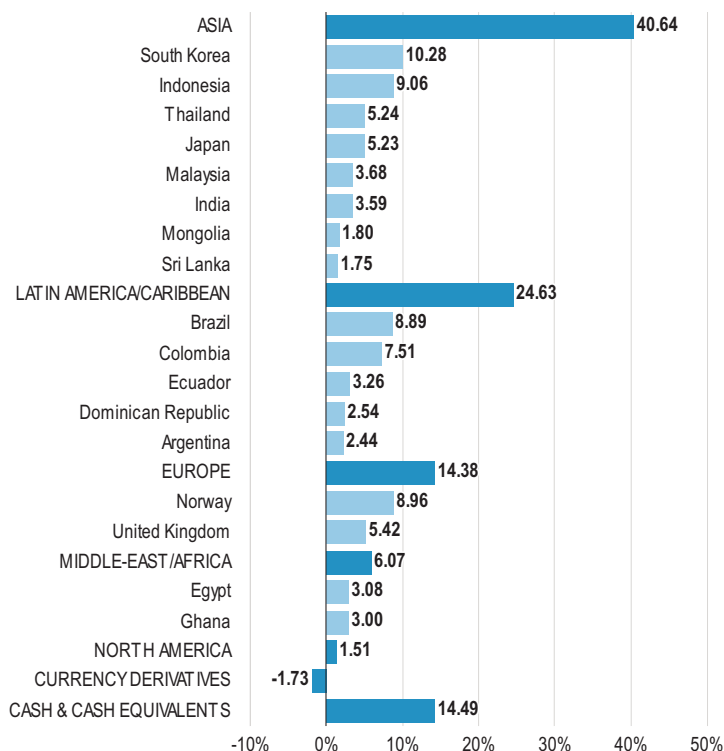
4,5. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate 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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Portfolio Diversification^a

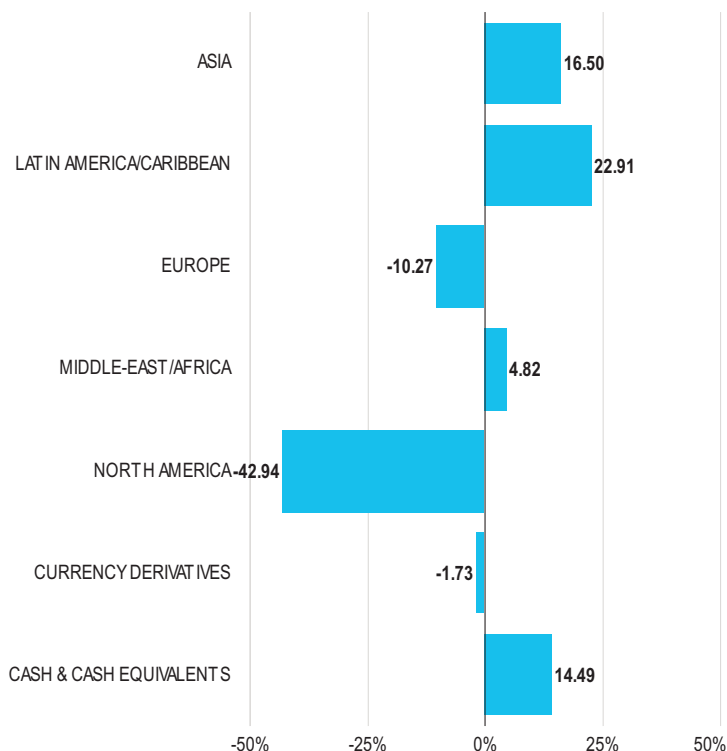
Geographic Allocation^d

Market Value—Percent of Total



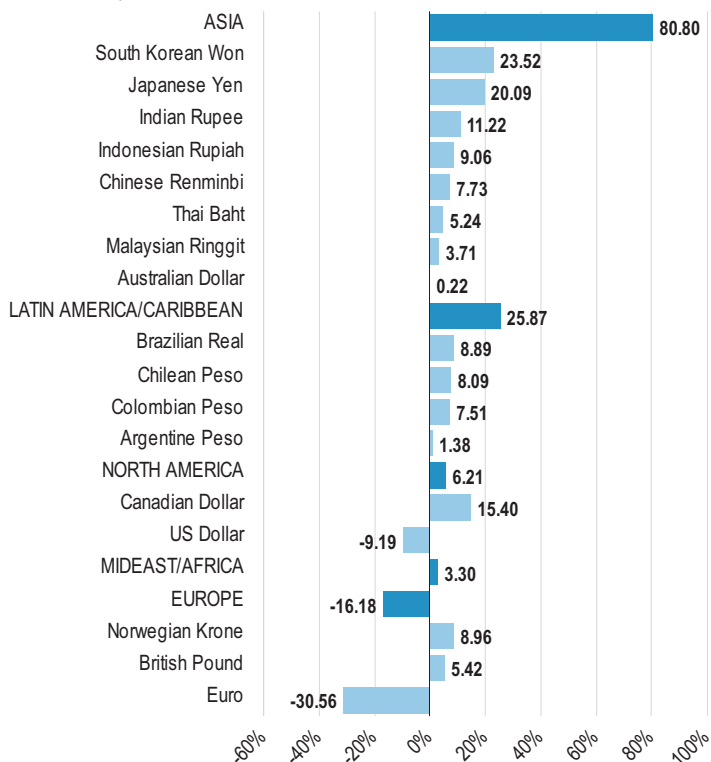
Geographic Allocation vs. Bloomberg Multiverse (Hedged into AUD) Index^d

Market Value—Percent of Total



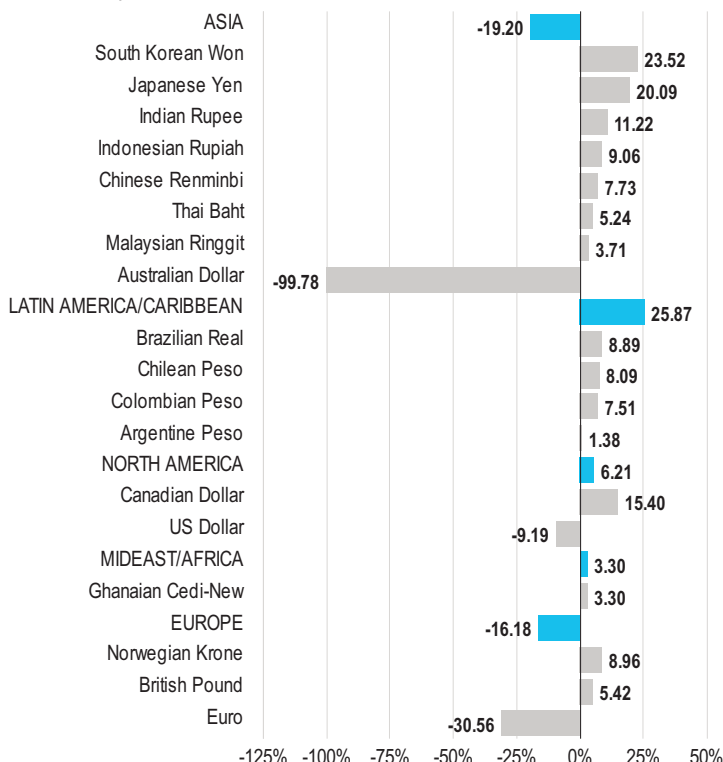
Currency Exposure^e

Notional Exposure—Percent of Total



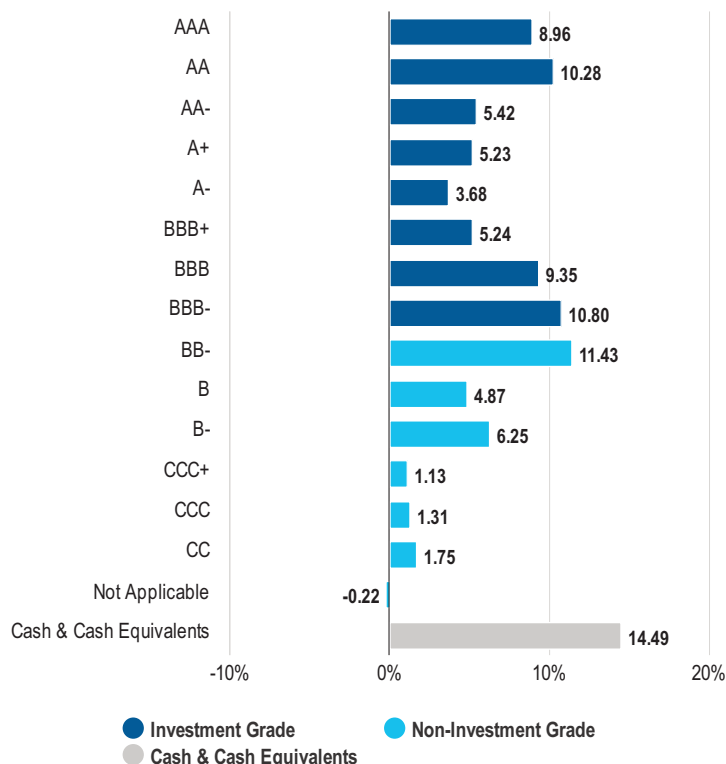
Currency Exposure vs. Bloomberg Multiverse (Hedged into AUD) Index^e

Notional Exposure—Percent of Total



Credit Quality Allocation^d

Market Value—Percent of Total

**Performance Statistics****Performance Statistics (AUD)^e**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Templeton Multisector Bond Fund	8.38	8.90	7.76	9.01
Bloomberg Multiverse (Hedged into AUD) Index	4.64	4.10	3.53	3.38
Tracking Error (%)	7.08	8.77	7.65	8.84
Information Ratio	-0.93	-0.85	-0.55	-0.26
Sharpe Ratio				
Franklin Templeton Multisector Bond Fund	-1.27	-0.97	-0.50	-0.10
Bloomberg Multiverse (Hedged into AUD) Index	-0.88	-0.29	0.09	0.40

Investment Philosophy

We believe that a portfolio built around a diversified set of active management positions has the potential to generate the most attractive information ratios over a full market cycle. We seek to accomplish this by implementing a large number of small, low-correlated active positions, in order to reduce the risk of poor performance from any single active position. We look to keep this strategy benchmark aware but unconstrained, seeking to reap the full benefits of our global fixed income expertise. Our global framework, significant bottom-up resources and integrated quantitative group allow us to identify market inefficiencies which we seek to exploit while utilising a disciplined risk management process.

Investment Process

Franklin Templeton Global Multisector's value-based investment style combines the qualitative analysis of macroeconomic factors with sophisticated quantitative tools in a benchmark-agnostic yet risk-controlled framework. Our investment process is structured to pursue diversified sources of alpha across securities, sectors and global markets. We aim to add value by exploiting market inefficiencies through both top-down allocation decisions and bottom-up security selection on a tactical and strategic basis. Qualitative analysis is used in identifying secular trends and evaluating each of the factors that affect countries, currencies and sectors. Proprietary and non-proprietary systems provide the framework to manage these components and understand the sources of risk and expected returns.

Country and Duration Decision

- Combine fundamental analysis and econometric models to determine what we consider the optimal country, duration and yield curve strategy.
- Analysis of fundamental factors includes: monetary and fiscal policy, the economic cycle, macroeconomic disequilibria, political influences, valuations, as well as technical factors.

6. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Multiverse (Hedged into AUD) Index.

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Currency Decision

- Currency managed as a separate asset class, although influenced by similar macroeconomic factors as duration positioning.
- Currency views expressed tactically or on a longer-term strategic basis.

Sector Decision

- Determine relative value of sovereign and non-sovereign debt around the globe.
- Quantitative tools used to determine return expectations and volatility expectations across the term structure of credit spreads, allowing us to make relative value judgments between various sectors.

Security Selection

- Dedicated sector specialists focus on distinct segments of the market.
- Sector specialist teams identify specific issues they consider undervalued for investment within each sector, setting price targets and investment time horizons.
- Use bottom-up strategies involving the relative value analysis of comparable instruments and selection of specific securities that we believe have the best expected risk/return trade-off.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	23	27
Calvin Ho, Ph. D.	17	17

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 advisory of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton.

Franklin Templeton Multisector Bond Fund consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to provide superior risk adjusted returns by identifying sources of high current income worldwide, while capitalizing on global interest rate and currency trends. Under normal market conditions, the strategy invests in a portfolio of fixed and floating rate debt securities and debt obligations (including convertible bonds) of governments, government-related or corporate issuers worldwide as well as in certain financial derivative instruments for investment purposes. In addition, the strategy may invest in investment grade and non-investment grade debt securities. The portfolio may also utilise financial derivative instruments dealt in either regulated or over-the-counter markets for investment purposes. These financial derivative instruments which are used on a less frequent basis may include swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. The strategy takes tactical exposure to various foreign currencies, through the use of foreign currency forward contracts and cross forwards, futures contracts and currency options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency, or credit.

Performance returns are shown gross and net of fees and assume the reinvestment of distributions. Returns for periods less than or equal to one year are cumulative and returns for periods greater than one year are annualised.

The Bloomberg Multiverse Index is a market value weighted fixed income index comprised of investment-grade and high-yield 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. All holdings are subject to change.
- b. Yield to Maturity, Average Duration and Average Weighted Maturity reflect certain derivatives held in Portfolio (or their underlying reference assets).
- c. 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.**
- d. 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.
- e. 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.

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Please read the relevant Product Disclosure Statements (PDSs) and any associated reference documents before making an investment decision. In accordance with the Design and Distribution Obligations and Product Interventions Powers requirements, we maintain Target Market Determinations (TMD) for each of our Funds. All documents can be found via www.franklintempleton.com.au or by calling 1800 673 776.

To make an initial investment in Franklin Templeton Multisector Bond Fund in accordance with the TMD, a retail investor must have received appropriate financial advice. Please call our Client Services team at 1800 673 776 to obtain the Application Form.

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