

## Product Profile

### Product Details

Fund Assets	\$46,262,996.49
Fund Inception Date	05/08/2009
Number of Securities Including Cash	98
Base Currency	AUD
Investment Style	Multi-Sector
ARSN	137 298 714

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

- 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 %)<sup>2</sup>

	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	-0.11	-0.11	-1.91	-4.63	-2.59	2.11	4.99
Franklin Templeton Multisector Bond Fund - I Class - Net of Fees	-0.24	-0.24	-2.45	-5.22	-3.22	1.43	4.27
Bloomberg Multiverse (Hedged into AUD) Index	-4.98	-4.98	-3.95	0.90	2.06	4.00	5.24
Operationally Hedged Bloomberg (USD Returns Translated into AUD) Index	-6.06	-6.06	-6.31	0.28	1.50	2.22	3.90

#### Average Annual Total Returns (Wholesale, AUD %)<sup>3</sup>

	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	-0.27	-0.27	-2.08	-4.69	-2.62	2.10	5.04
Franklin Templeton Multisector Bond Fund - W Class - Net of Fees	-0.48	-0.48	-2.91	-5.53	-3.50	1.17	4.08
Bloomberg Multiverse (Hedged into AUD) Index	-4.98	-4.98	-3.95	0.90	2.06	4.00	5.13
Operationally Hedged Bloomberg (USD Returns Translated into AUD) Index	-6.06	-6.06	-6.31	0.28	1.50	2.22	3.78

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

- Sovereign bond yields rose sharply across much of the world during 2022's first quarter as the global monetary cycle continued to power ahead.
- Inflation remained at multi-decade highs in multiple regions and continued to trend higher in several countries throughout the quarter, with added pressures arriving in March from disruptions to the flow of energy, food, commodities, and goods due to the war in Ukraine and the West's economic isolation of Russia.
- The US dollar (USD) saw mixed trends during the quarter, strengthening against the largest developed market currencies and against much of Asia but weakening sharply against much of Latin America.

## Performance Review

- In the first quarter of 2022, currency positions detracted from the portfolio's absolute performance. Interest-rate strategies contributed to absolute results, as did overall credit exposures.
- Positions in the Russian ruble, Ghanaian cedi, South Korean won and Japanese yen detracted from absolute performance. We closed our position in the Russian ruble in March. We also exited our position in the Japanese yen, primarily due to the expected depreciation pressures on the currency from widening rate differentials with the US. Positions in the Brazilian real, Chilean peso and Colombian peso against the USD contributed to absolute results, as did the portfolio's positions in the Norwegian krone and Canadian dollar against the euro.
- 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 Ghana contributed to absolute performance.
- Subinvestment-grade sovereign credits contributed to the portfolio's absolute return.

## Outlook &amp; Strategy

- Russia's invasion of Ukraine has added a layer of uncertainty to global financial markets. Beyond the war in Ukraine, we expect the recovery in global economic activity to largely continue in 2022, albeit with new headwinds emanating from the conflict in Europe.
- We expect inflation to remain above historical averages due to differing factors in individual regions. Disruptions to commodity markets and trade from the conflict in Ukraine should continue to add price pressures globally that were not anticipated.
- We expect widening divergence on the monetary policy front given that inflation drivers are not uniform around the world. These divergences should create relative valuation opportunities between countries as certain central banks tighten policy ahead of others.

Portfolio Characteristics<sup>a,b,4,c</sup>

	Portfolio	Bloomberg Multiverse (Hedged into AUD) Index
Number of Securities Including Cash	98	32106
Yield to Maturity	7.22%	2.39%
Average Credit Quality <sup>5</sup>	A-	AA-
Average Duration	1.74 Yrs	7.14 Yrs
Average Weighted Maturity	3.07 Yrs	8.89 Yrs

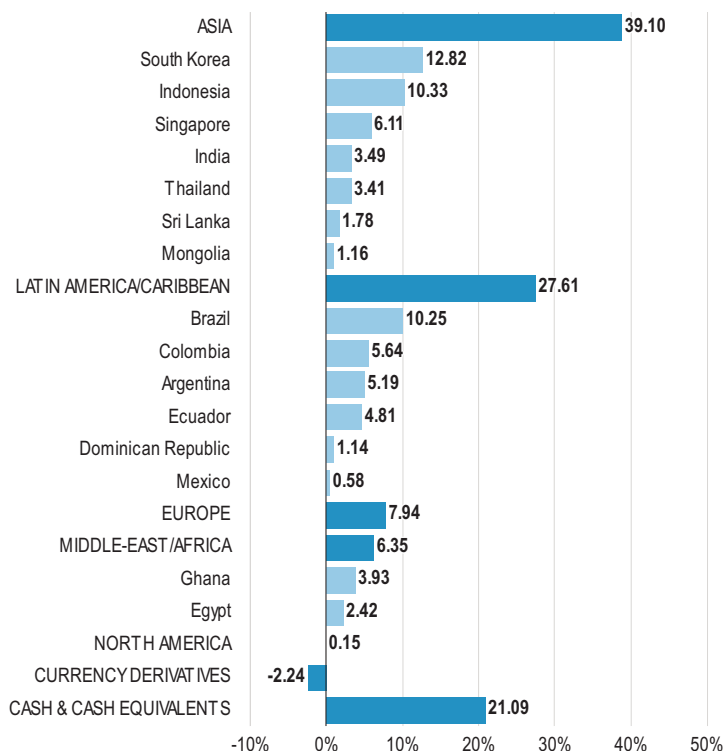
4,5. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

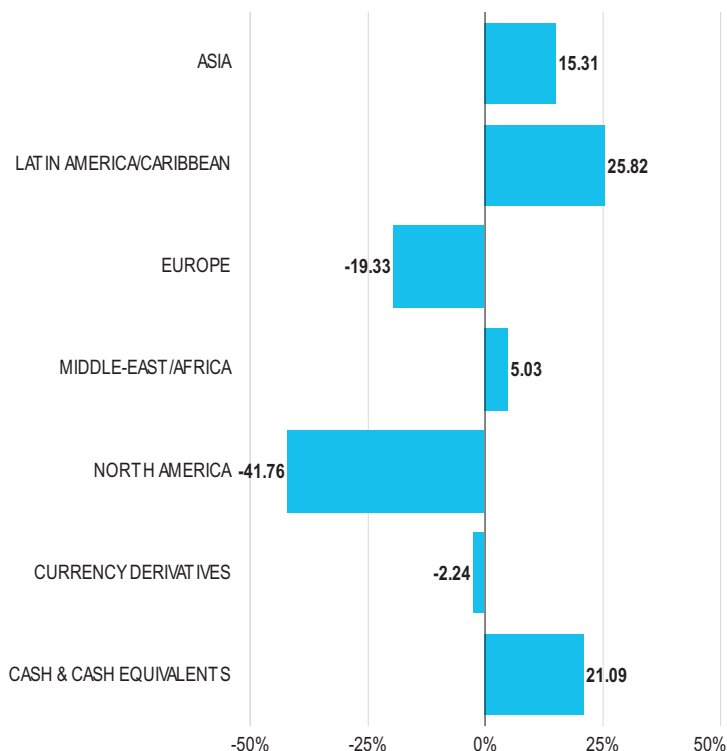
Geographic Allocation<sup>d</sup>

Market Value—Percent of Total



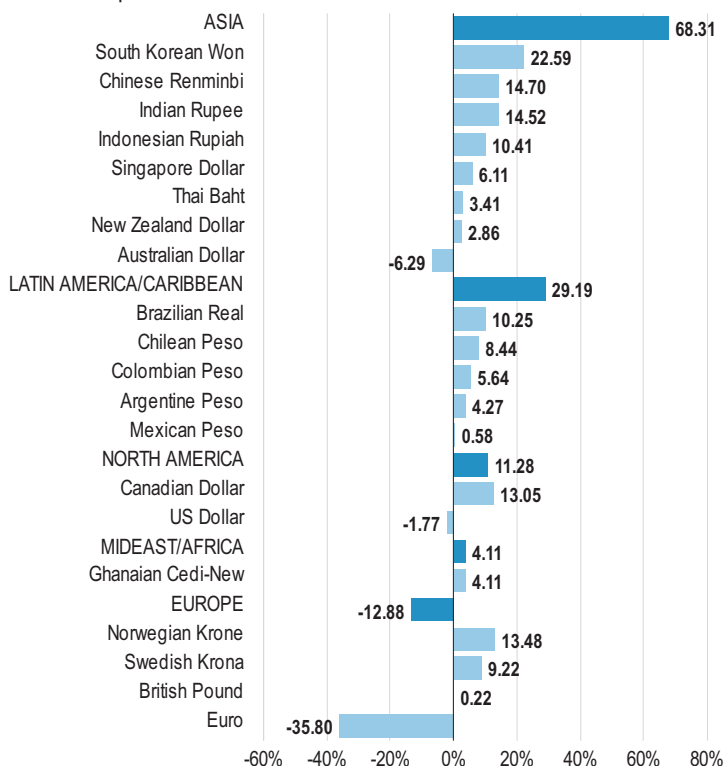
Geographic Allocation vs. Bloomberg Multiverse (Hedged into AUD) Index<sup>d</sup>

Market Value—Percent of Total



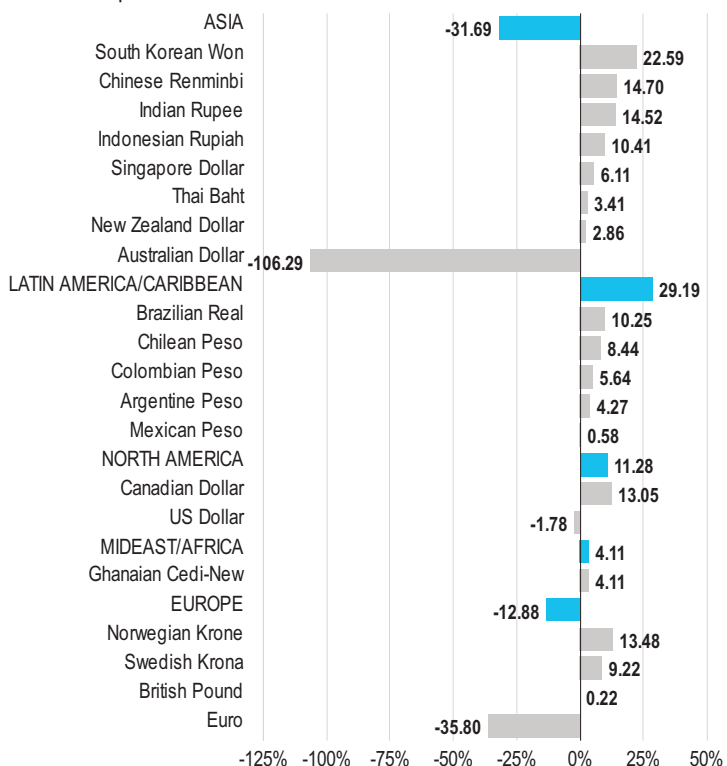
Currency Exposure<sup>e</sup>

Notional Exposure—Percent of Total



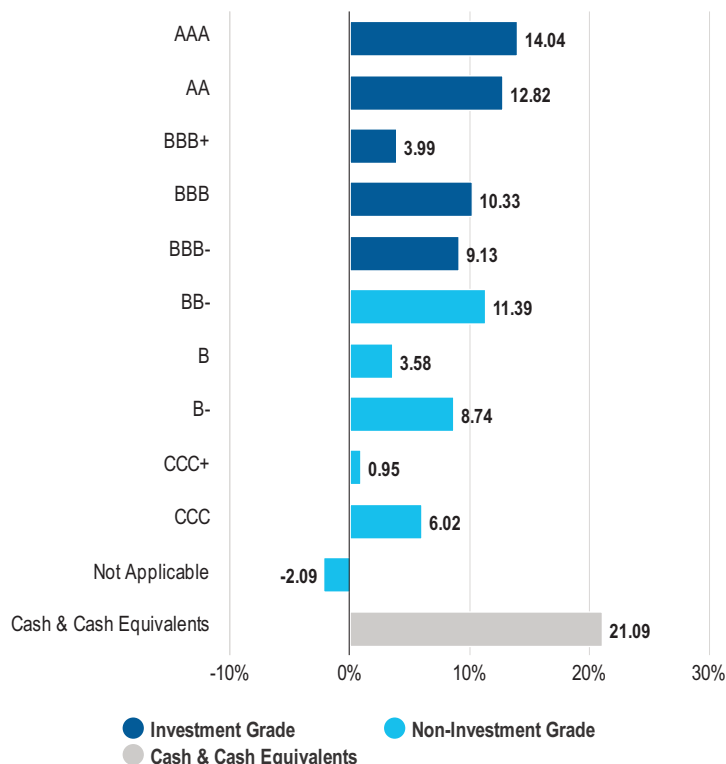
Currency Exposure vs. Bloomberg Multiverse (Hedged into AUD) Index<sup>e</sup>

Notional Exposure—Percent of Total



**Credit Quality Allocation<sup>d</sup>**

Market Value—Percent of Total

**Performance Statistics****Performance Statistics (AUD)<sup>e</sup>**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Templeton Multisector Bond Fund	7.36	7.09	7.30	8.38
Bloomberg Multiverse (Hedged into AUD) Index	3.55	3.04	2.91	2.87
<b>Tracking Error (%)</b>	8.50	8.05	7.83	8.66
<b>Information Ratio<sup>7</sup></b>	-0.76	-0.69	-0.36	-0.15
<b>Sharpe Ratio</b>				
Franklin Templeton Multisector Bond Fund	-0.81	-0.64	-0.16	0.11
Bloomberg Multiverse (Hedged into AUD) Index	0.13	0.34	0.56	0.78

**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.

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

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- Analysis of fundamental factors includes: monetary and fiscal policy, the economic cycle, macroeconomic disequilibria, political influences, valuations, as well as technical factors.

#### 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.	16	17

**Important Legal Information**

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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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- 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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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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