

## Product Profile

### Product Details

Fund Assets	\$75,028,599.01
Fund Inception Date	05/08/2009
Number of Securities Including Cash	128
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 - Gross of Fees Institutional	2.11	-0.84	0.66	-2.20	0.58	3.00	5.66
Franklin Templeton Multisector Bond Fund - Net of Fees Institutional	1.97	-1.11	0.11	-2.84	-0.09	2.30	4.94
Bloomberg Barclays Multiverse (Hedged into AUD) Index	1.04	-1.43	0.36	4.13	3.07	5.40	6.03
Operationally Hedged Bloomberg Barclays (USD Returns Translated into AUD) Index	1.41	-3.05	2.92	3.75	2.44	3.61	4.85

#### 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 - Gross of Fees Wholesale	2.10	-0.83	0.66	-2.21	0.58	3.01	5.74
Franklin Templeton Multisector Bond Fund - Net of Fees Wholesale	1.89	-1.26	-0.19	-3.09	-0.33	2.07	4.78
Bloomberg Barclays Multiverse (Hedged into AUD) Index	1.04	-1.43	0.36	4.13	3.07	5.40	5.91
Operationally Hedged Bloomberg Barclays (USD Returns Translated into AUD) Index	1.41	-3.05	2.92	3.75	2.44	3.61	4.72

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 %)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Franklin Templeton Multisector Bond Fund - Gross of Fees Wholesale	-5.08	-2.93	0.20	3.97	7.60	-2.12	3.99	8.49	24.54	4.75
Franklin Templeton Multisector Bond Fund - Net of Fees Wholesale	-5.93	-3.82	-0.73	3.01	6.61	-3.03	3.03	7.50	23.44	3.79
Bloomberg Barclays Multiverse (Hedged into AUD) Index	5.07	7.43	1.46	4.04	5.80	3.22	10.05	2.55	10.12	10.40
Operationally Hedged Bloomberg Barclays (USD Returns Translated into AUD) Index	8.44	6.11	-1.48	8.35	4.11	-1.07	3.07	0.17	8.74	10.63

## Portfolio Manager Insight

## Market Review

- Inflation figures surged higher in many countries during 2021's second quarter, driven by a combination of factors that included cyclical upswings associated with resurgent economic activity, supply bottlenecks in certain sectors and base effects off of the pandemic shocks in 2020.
- Sovereign bond yields in much of Asia and the Americas pulled back from their March peaks in April, while many areas of Europe saw yields continue to rise during the first two months of the second quarter. In June, yields declined across developed markets but shifted in varying directions in emerging markets.
- The US dollar finished the quarter on a strengthening trend in June, resulting in mixed results against a number of currencies during the quarter.

## Performance Review

- In the second quarter of 2021, interest-rate strategies contributed to the portfolio's absolute performance, followed by overall credit exposures. Currency positions detracted from absolute results.
- The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select duration exposures in Latin America (Argentina), Africa (Ghana) and Asia ex Japan (Indonesia) contributed to absolute performance.
- Subinvestment-grade sovereign credits contributed to the portfolio's absolute return.
- Currency positions in Latin America detracted from absolute results (the Argentine peso detracted, while the Brazilian real contributed. However, the portfolio's positions in the Chinese yuan and the Russian ruble contributed to absolute performance.

## Outlook &amp; Strategy

- We expect broadly improving macroeconomic conditions as vaccines are progressively distributed around the world. It will take time to achieve critical immunity levels in many regions, but we expect a continued surge in economic activity in the second half of 2021.
- We expect inflation figures to remain elevated in 2021 in many countries, largely on base effects off of the pandemic shocks in 2020 as well as the sharp cyclical upswing this year. Supply disruptions have also affected prices in certain sectors.
- We continue to be constructive in many regions. However, it remains crucial to be highly selective as there is wide variance in not only how well countries are containing COVID-19 and distributing vaccines, but also how countries have handled fiscal and monetary policy and supported their economies. We expect staggered timelines for specific investment opportunities given divergent conditions in regional and local markets.

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

	Portfolio	Bloomberg Barclays Multiverse (Hedged into AUD) Index
Number of Securities Including Cash	128	31382
Yield to Maturity	5.67%	1.34%
Average Credit Quality <sup>5</sup>	BBB	A+
Average Duration	2.02 Yrs	7.32 Yrs
Average Weighted Maturity	2.36 Yrs	8.91 Yrs

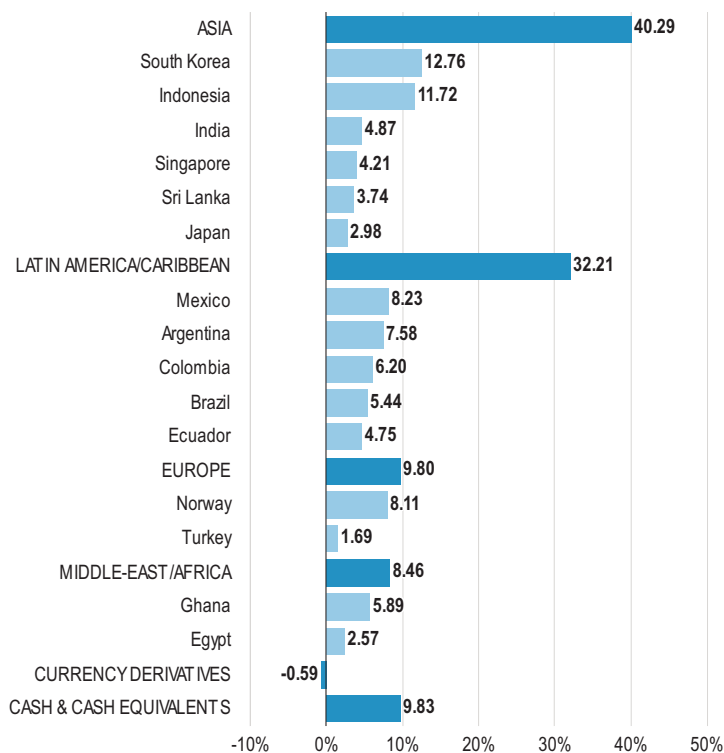
4,5. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

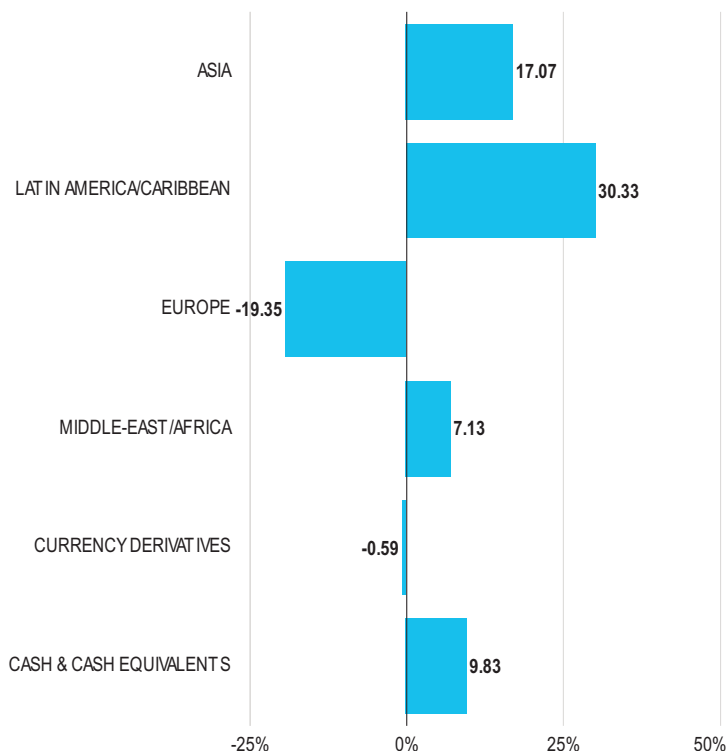
Geographic Allocation<sup>d</sup>

Market Value—Percent of Total



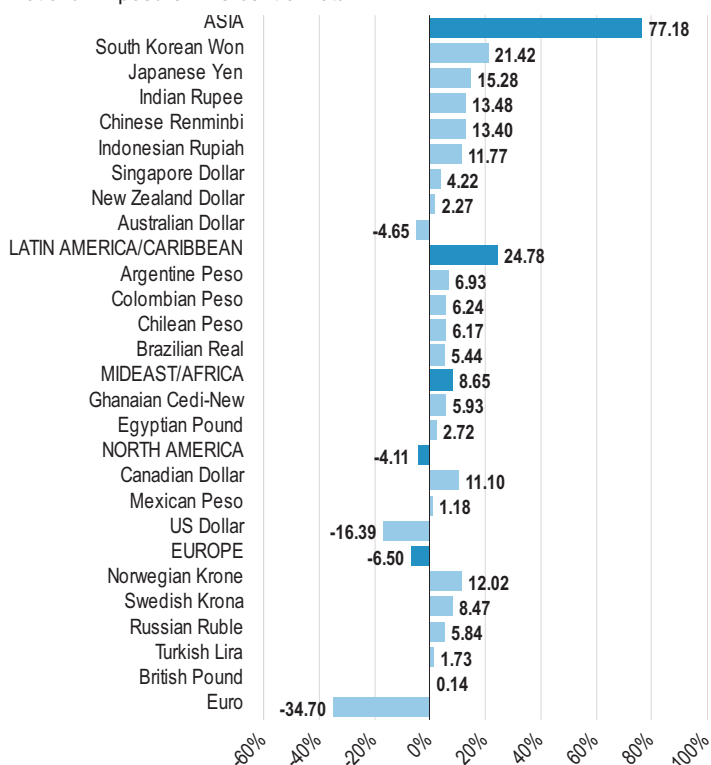
Geographic Allocation vs. Bloomberg Barclays Multiverse (Hedged into AUD) Index<sup>d</sup>

Market Value—Percent of Total



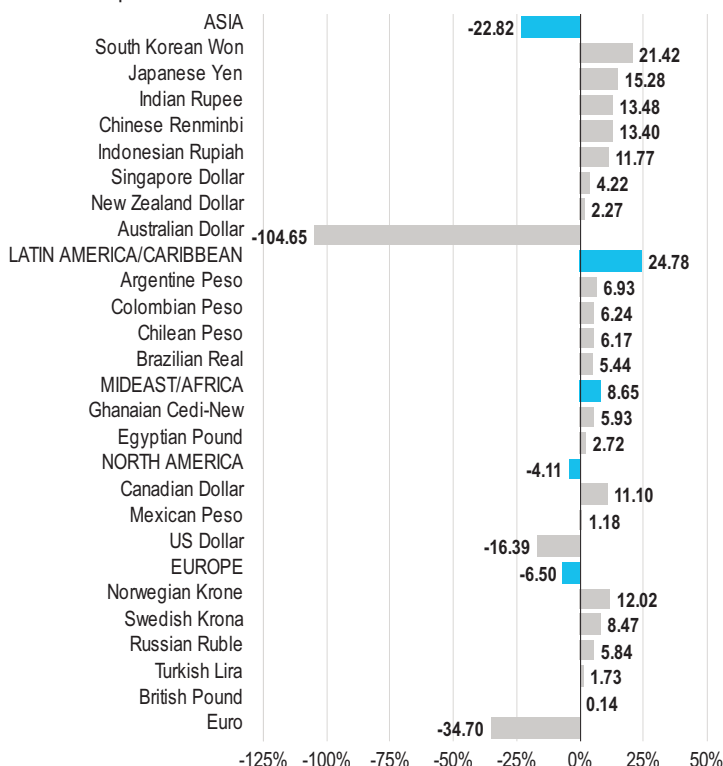
Currency Exposure<sup>e</sup>

Notional Exposure—Percent of Total



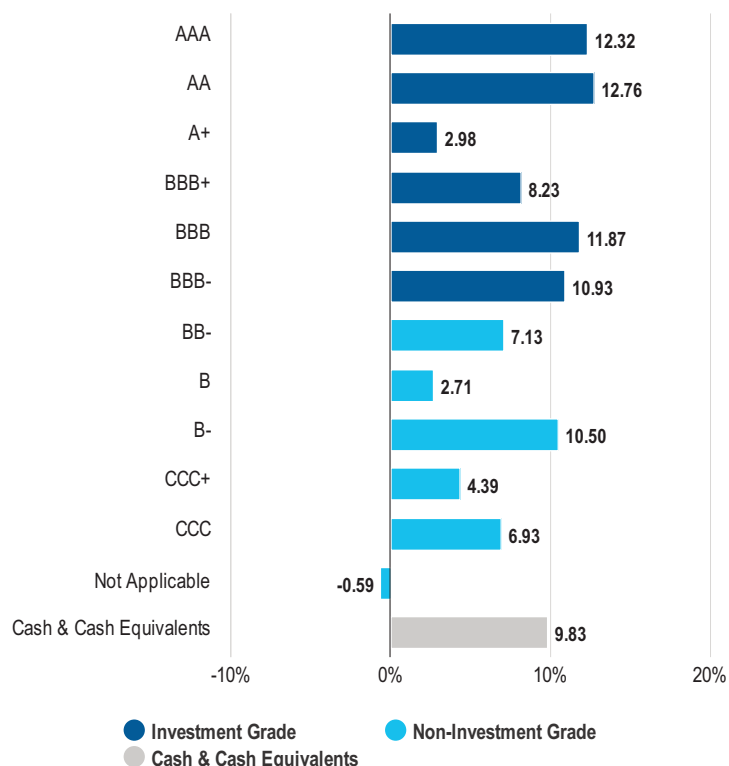
Currency Exposure vs. Bloomberg Barclays Multiverse (Hedged into AUD) Index<sup>e</sup>

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	8.37	7.37	8.48	8.51
Bloomberg Barclays Multiverse (Hedged into AUD) Index	3.07	2.74	2.73	2.69
<b>Tracking Error (%)</b>	9.25	8.23	8.80	8.77
<b>Information Ratio<sup>7</sup></b>	-0.78	-0.41	-0.38	-0.17
<b>Sharpe Ratio</b>				
Franklin Templeton Multisector Bond Fund	-0.48	-0.22	-0.08	0.16
Bloomberg Barclays Multiverse (Hedged into AUD) Index	1.05	0.65	0.98	1.06

**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.

6. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays 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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**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.

**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**

<b>Portfolio Manager</b>	<b>Years with Firm</b>	<b>Years Experience</b>
Michael Hasenstab, Ph. D.	22	26
Calvin Ho, Ph. D.	16	16

**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 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 figures represent the aggregate total return net of fees for the period indicated for the Franklin Templeton Multisector Bond Fund (ARSN 137 298 714), an umbrella fund formed under the laws of Australia. This report does not constitute or form part of any offer for shares of the Fund or an invitation to apply for shares. Subscriptions for shares in the Fund can only be made on the basis of the Fund's most recent Product Disclosure Statement document ("PDS"). The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested. Currency fluctuations will affect the value of overseas investments. An investment in this Fund entails risks which are described in the PDS document. Please consult your professional advisor before deciding to invest.

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 Multiverse Index is a market valueweighted 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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- 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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Franklin Templeton Investments Australia Limited	
Level 19	Level 30, Aurora Place
101 Collins Street	88 Phillip Street
Melbourne Vic 3000	Sydney NSW 2000
1800 673 776	1800 673 776
<a href="http://franklintempleton.com.au">franklintempleton.com.au</a>	

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