

公開說明書  
2021年12月1日

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富蘭克林黃金基金  
(本基金之配息來源可能為本金)  
Franklin Gold and Precious Metals Fund

A 股	C 股	R6 股	Advisor 股
FKRCX	FRGOX	FGPMX	FGADX

美國證券交易管理委員會並未核准或不核准這些證券或對本公開說明書內容的正確性表示意見。與以上相左的任何載示皆為刑事上之違法。

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本公開說明書中文譯本僅供參考。中文譯本之內容與英文公開說明書若有歧異，以英文公開說明書之內容為準。

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# 富蘭克林黃金基金

## (本基金之配息來源可能為本金)

### 基金摘要

#### 投資目標

資本利得。次要目標為藉由投資賺取股利或利息收入以提供當期收益予股東。

#### 本基金的費用

這些表格顯示您購買與持有本基金的股份時，可能需要支付的各項費用。如果您與您的家人投資或是同意於未來投資，至少美金五萬元於富蘭克林坦伯頓基金，您得以適用購買 A 股的銷售手續費折扣。有關這些或其他折扣訊息，您可以向您的理財顧問洽詢以及參照本基金公開說明書之“您的帳戶”章節與本基金補充資料報告書之“購買及賣出股份”章節的說明。此外，有關透過特定金融中介機構購買股份的銷售費用折扣和免除之更詳細資訊，請參照本基金公開說明書附錄 A—“金融中介機構銷售手續費折扣及免除”。

請注意，以下表格以及範例並不反映可能由金融中介機構收取的任何交易費用，也不反映股東在購買或賣出 R6 股或 Advisor 股時可能被要求直接向其金融中介機構支付的佣金。

(費用直接由您的投資支付)

股東的費用	A 股	C 股	R6 股	Advisor 股
最高銷售手續費 (依基金賣價的百分比)	5.50%	無	無	無
最高遞延銷售手續費 (依較低的基金原始購買價格或 是贖回收益的百分比)	無 <sup>1</sup>	1.00%	無	無

1. 1%的或有遞延銷售手續費適用於美金一百萬及以上的投資(請參照本基金公開說明書之“選擇股份類別”章節的“美金一百萬及以上的投資”)以及某些無須支付首次銷售手續費的退休計劃申購於購買後 18 個月內出售股份。

(每年依您的投資價值的百分比支付費用)

年度基金營運費用	A 股	C 股	R6 股	Advisor 股
經理費用	0.46%	0.46%	0.46%	0.46%
分銷及 12b-1 服務費	0.25%	1.00%	無	無
其他費用	0.19%	0.19%	0.23%	0.19%
年度基金營運總費用	0.90%	1.65%	0.69%	0.65%

費用減免及/或費用返還協定 <sup>1</sup>	無	無	-0.14%	無
費用減免及/或費用返還協定後年度基金營運總費用 <sup>1</sup>	0.90%	1.65%	0.55%	0.65%

<sup>1</sup> 股務代理機構已依據契約同意設定本基金 R6 股之股務代理機構費用門檻，因此直到 2022 年 11 月 30 日前將不超過 0.03%。於前述期間內，未經董事會核准，將不會改變或終止契約上的費用減免及/或費用返還協定，除非增加股份類別，或是降低費用減免以及費用限制。

## 範例

此範例試圖協助您方便比較投資本基金的成本以及投資其他基金的成本。此範例假設您於下表各期間投資美金一萬元並且在各期間結束時贖回您的所有股份。此範例又假設您每年的投資報酬率為百分之五，並且基金的操作費用維持相同。本範例反映在基金營運費用的調整係因管理團隊僅有第一年數字得到費用減免及/或費用返還。根據這些假設推算的成本如下表所示，雖然您的實際成本可能或高或低於此假設下的成本。

	一年	三年	五年	十年
A 股	\$ 637	\$ 821	\$ 1,021	\$ 1,597
C 股	\$ 268	\$ 520	\$ 897	\$ 1,955
R6 股	\$ 56	\$ 207	\$ 370	\$ 845
Advisor 股	\$ 66	\$ 208	\$ 362	\$ 810
若您無銷售股份：				
C 股	\$ 168	\$ 520	\$ 897	\$ 1,955

## 投資組合週轉

本基金在買賣證券（或是“週轉”其投資組合）時，需支付交易成本，例如：佣金。較高的投資組合週轉率可能顯示較高的交易成本，而且當基金股份持有於應稅帳戶時可能造成較高的稅賦。這些成本影響基金的績效表現，並不會反映於年度基金營運費用或是在範例裡。在最近期的會計年度期間，本基金的投資組合週轉率為其投資組合平均價值的 18.91%。

## 主要投資政策

在一般市場狀況下，本基金將至少投資 80% 淨資產於黃金及貴金屬營運公司所發行的證券。黃金及貴金屬營運公司包括黃金或其他如：銀、白金、鈱等貴金屬之開採、處理或交易的公司，包含開採融資及探勘公司以及長期或中期礦脈的營運公司。本基金為“非多元化投資”的基金，其表示相較於多元化基金，本基金通常得將較多部位資產投資於單一或多個發行公司的證券，並且可能將全部資產投資於少數發行公司的證券。

本基金得購買位於全球各地的黃金及貴金屬營運公司的證券，並且通常將顯著地投資在非美國公司。目前本基金有顯著比例投資於設籍在加拿大的公司，雖然這些公司的採礦營運一般發生在其他國家。本基金得投資在不同市值規模之公司，並可能大量投資於小型及中型企業。本基金主要投資在股權證券，主要為普通股。本基金也可投資於美國、全球及歐洲的存託憑證。

基金經理人尋找持有低成本盈餘以及信譽卓著具經驗管理團隊的公司，特別是著重在產品生命週期長、生產資源可擴展，以及積極的開採計劃能夠潛在地衍生未來的盈餘與生產成長的公司。

## 主要風險

您可能投資本基金而有金錢損失。共同基金股份不是存款，或是債務，或是由任何銀行保證或是背書，並且沒有受到聯邦存款保險公司、聯邦準備委員會、或是美國政府的任何其他機構的保證。

**黃金及貴金屬風險。**黃金和貴金屬營運公司的股價受到黃金和貴金屬如白金、鈀和銀價格及其他主要市場情況的影響。這些金屬價格可能在短期間內會有劇烈的波動。根據市場情況，黃金以及貴金屬營運公司的表現可能會顯著地優於或落後於傳統證券投資。在穩定的經濟成長時期，傳統的股票和債券則可以提供較高的增值潛力，而黃金和貴金屬的價值則受到負面影響。

黃金及貴金屬的價格主要受以下幾項因素影響：(1)由政府實體及中央銀行等大宗持有者所掌握全球供給量的多寡；(2)不可預知的貨幣政策和世界各地的政經情勢；(3)對金塊投資的供給與需求，包括黃金條塊、硬幣或黃金擔保金融工具如指數型基金；(4)黃金飾品的需求以及(5)意欲影響黃金及其他貴金屬的需求之政府政策。

黃金和貴金屬營運公司的股價直接受到以下幾項因素影響：(1)黃金及貴金屬的價值下跌；(2)礦物開採及生產之資本、勞工及其他成本上漲；(3)這些公司營運所在國家的不利貨幣波動、經濟事件或天然災害或其他有顯著經濟影響的事件；(4)勞工分裂；(5)營運問題及無法履行；(6)獲取可靠的能源及設備供應；以及(7)開採、生產或銷售之相關法令的改變。這些因素可能導致標的金屬與本基金所投資之黃金和貴金屬營運公司證券的價格之間的誤差。此外，一些黃金和貴金屬礦業公司會藉由出售遠期期貨避險，以不同程度減低因黃金和貴金屬價格下跌風險所受影響的程度，此舉也侷限公司本身得以從黃金和貴金屬未來價格上漲的獲利能力，或是增加公司可能沒有能力履行合約義務的風險。有關礦脈開採公司，開採營運有著不同的期望礦脈生命期間，具有較短期期望礦脈生命期間的礦脈開採公司的證券可能會經歷較大的價格波動。

美國或外國稅法、匯率或礦業方面之法令有所改變會使貫徹本基金的投資政策更加昂貴，以及/或是徒增困難。

**市場風險。**本基金所持有證券或其他投資的市場價值有時候將會快速的或無法預期的上下波動。證券或其他投資的市場價格可能會因其他市場活動或與發行公司不相關的供給與需求的其他結果而下跌。這是所有投資之基本風險。當市場中賣方多於買方時，價格將會下跌。同樣地，當市場中買方多於賣方時，價格將會上升。

目前新型冠狀病毒 COVID-19 在全球爆發，導致市場混亂、極度波動、流動性受限和交易成本增加。為遏制 COVID-19 傳染使全球旅遊受到限制、醫療系統、商業運營和供應鏈中斷、裁員、消費者需求減少、違約和信用評級下調，其影響已經影響許多行業的全球經濟活動，並可能加劇當地或全球已存在的其他政治、社會和經濟風險。COVID-19 的全面影響是不可預測的，並可能對基金的績效產生不利影響。

股票價格上下波動較債券價格為劇烈。在成長緩慢或經濟衰退的環境下對本基金持有之各種不同股票的價格具有負面的影響。

**外國證券(非美國)風險。**投資外國證券會比投資美國國內的證券要承擔較高的風險，這些風險包括有關：(i)內部與外部的政治與經濟發展，例如：有些外國在政治、經濟及社會政策及結構方面，並不如美國穩定，且其不確定性甚高，或是有些外國可能容易遭受貿易限制或經濟制裁；(ii)交易實務，例如：外國政府對證券交易、貨幣市場、交易系統及經紀商之監管也可能不如美國；(iii)資訊的利用，例如：外國公司在會計及財務報表的準則與實務等可能不同於美國的揭露方式；(iv)有限的市場，例如：某些外國發行公司的證券之流動性不如美國證券（不易出售）且其價格較波動；以及(v)匯率變動與政策的風險。（例如，波動可能會對以外幣計價的投資以及基金以該外幣計價的任何收入或支出產生負面影響）。外國投資的風險在開發中國家或新興市場國家通常較大。

**區域風險。**在某些區域或國家的不利情況，可能會對其他看似經濟發展不相關國家的證券發行公司有不利影響。在一定程度上，本基金投資顯著部位的資產於特定地理區域或特定國家，故將會面臨較高之特定區域的或國家的經濟風險。當本基金有顯著部位投資的地區或國家政經動亂或外交關係惡化，本基金可能會面臨重大的流動性風險或降低本基金投資的價值。

**新興市場國家風險。**本基金在新興市場國家的投資通常須承受所有外國投資風險，尚需強調由於缺乏建置完備的法律、政治、商業以及社會架構來支撐證券市場所增加的風險，包括：投資組合證券交易的交割延遲；外匯及資本的控制；對利率變動的敏感度較高；貪污及違紀的普遍性；匯率的波動性；以及通貨膨脹、通貨緊縮或是貨幣貶值。

**邊境市場國家風險。**邊境市場國家一般而言經濟規模較小且相較於傳統新興市場甚至是較低度開發的資本市場，因此投資在新興市場國家的風險在邊境市場國家裡是要被擴大的，而風險的擴大是因為邊境市場潛在極度的價格波動性及缺乏流動性；政府持有或是控制部分的私人部門及特定公司；貿易障礙、匯率管制、在相對貨幣價值的調控以及與邊境市場國家進行貿易的國家所實施或協商的其他貿易保護主義措施，以及在許多邊境市場國家相對地沒經驗與不穩定的證券法規等的結果。

**中、小型股本公司風險。**由中、小型股本公司所發行的證券相較於大型公司證券，其股價之波動性較大，並可能涉及額外的風險。這類風險得包括對經濟情況改變的敏感度較高、對公

司成長前景較不確定、在管理方面較缺乏豐富的經驗、較不容易募集到成長或發展所需之資金，以及從事於有限或是較少開發的生產線或是市場。此外，中、小型股本公司可能容易受到利率攀升的影響，因此他們在尋找資金以繼續或擴充營運上可能更加困難，或是在貸款的還款上可能有困難。

**收益風險。**本基金只能發放所賺取之收益，當來自股票投資的股利收益減少或是當本基金並未有 PFIC 利得可供分配時，本基金發放給投資人的收益分配將變少。當黃金及貴金屬價格下跌時期，本基金的收益一般將變少。

**集中風險。**投資於單一產業、產業群、特定部門或者投資類型，使得本基金相較於投資廣泛產業之基金可能要承擔這些產業、部門或投資類型的不利發展以及價格變動的較高風險。當這些產業或部門的公司證券之需求衰退時，本基金的績效表現也將會較差。

**非多元化投資。**本基金為非多元化投資的基金。相較於多元化基金，本基金對於影響這些個別發行公司或證券的經濟、商業、政治或是其他的變動都較為敏感，因此可能不利影響本基金績效表現並且導致本基金股份價值波動較為劇烈。

**存託憑證。**存託憑證受相關證券的許多風險影響。對於某些存託憑證，保管機構於信託賬戶，或類似於金融機構發行公司的母國中，持有發行人股份。在這些情況下，如果發行公司的母國沒有發達的金融市場，本基金可能面臨保管機構或金融機構的信用風險和更大的市場風險。此外，保管機構可能不會一直對標的證券進行實物託管，並可能就各種服務收取費用。本基金在收取股息和利息或行使股東權利時可能會出現延誤。在非保薦存託憑證計劃中，對發行公司行為做出不及時反應的可能性可能會增加。因此，關於非贊助項目的證券發行公司的可用信息可能較少，並且該信息與存託憑證的市場價值之間可能沒有相關性。

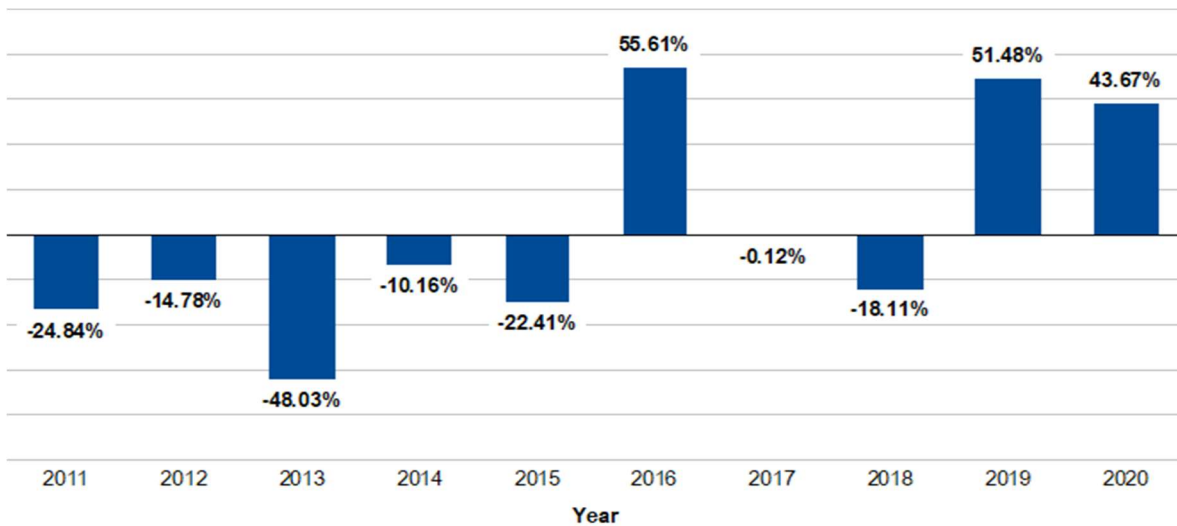
**管理風險。**本基金因採主動式管理投資組合而須承受管理風險。基金投資經理人引用投資技術與風險分析為本基金執行投資決策，但是無法確保這些決策將能產生希望的結果。

## 投資組合績效分析

本圖表顯示出本基金報酬率的波動性，是投資本基金的風險指標。此圖表逐一標示出以下年份以來 A 股的年度報酬率變化情形。表格中亦可對照看出基金的一年、五年及十年或是自成立日的年度平均報酬率相較與一些廣泛衡量市場指數的差異。當然，過去的基金報酬率（稅前或稅後）並不能預測或保證未來的報酬結果。您可於網站線上：[franklintempleton.com](http://franklintempleton.com) 查詢或是致電(800) DIAL BEN/342-5236 取得更新的績效表現資料。

表格中的第二績效指標顯示本基金與一群廣泛股票市場證券績效表現的比較狀況。

銷售手續費並沒有反映在此圖表。若有反映銷售手續費的話，則報酬率會比此圖表數值低。



表：A 股年度報酬率

最佳季報酬率在 2020 年第 2 季：69.49%；最差季報酬率在 2013 年第 2 季：-38.15%。  
本基金 A 股自年初截至 2021 年 9 月 30 日的報酬率為-17.12%。

年度總平均報酬率

期間截至 2020 年 12 月 31 日

	一年	五年	十年	成立以來 <sup>1</sup>
<b>富蘭克林黃金基金 - A 股</b> (本基金之配息來源可能為本金)				
稅前報酬率	35.78%	21.22%	-4.86%	—
配息稅後報酬率	30.32%	19.37%	-5.74%	—
配息及股份出售稅後報酬率	21.12%	16.37%	-3.77%	—
<b>富蘭克林黃金基金 - C 股</b> (本基金之配息來源可能為本金)	41.51%	21.67%	-5.04%	—
<b>富蘭克林黃金基金 - R6 股</b> (本基金之配息來源可能為本金)	44.15%	23.12%	—	6.17% <sup>1</sup>
<b>富蘭克林黃金基金 - Advisor 股</b> (本基金之配息來源可能為本金)	43.99%	22.89%	4.09%	—
富時黃金礦脈指數 (指數並無扣除費用或稅賦)	24.95%	23.21%	-3.84%	—
標準普爾 500 指數 (指數並無扣除費用或稅賦)	18.40%	15.21%	13.88%	—

1. 自 2013 年 5 月 1 日成立

沒有一種指數足以代表本基金的投資組合。

上述年度總平均報酬率表中的數字反映 A 股最高前收銷售手續費 5.50%。在 2018 年 9 月 10 日之前，A 股的最高前收銷售手續費為 5.75%。如果反映出之前的最高前收銷售手續費 5.75%，則 A 股在年度總平均報酬率表中的績效會更低。

稅後報酬率採歷史最高的個人聯邦邊際所得稅率計算，並未反映出州稅與地方稅的影響。實



際稅後報酬，則視投資人的個別稅務狀況，可能與此圖表的報酬數字有差異。這些稅後報酬率數字無關於投資人其參與稅金緩課計畫所持有的股份，諸如 401(k)計畫或個人退休金帳戶。僅顯示 A 股的稅後報酬率，其他類別股份的稅後報酬率則不盡相同。

## 經理公司

富蘭克林顧問公司 (Franklin Advisers, Inc.)

## 基金經理人

**史蒂文·蘭德 (Stephen M. Land, CFA)**

富蘭克林顧問公司投資組合經理人，自1999年起擔任本基金的投資組合經理人。

**菲德瑞克·佛洛姆 (Frederick G. Fromm, CFA)**

富蘭克林顧問公司副總裁，自2005年起擔任本基金的投資組合經理人。

## 基金股份的購買與賣出

您可以在任何營業日透過上線我們的網站 [www.franklintempleton.com](http://www.franklintempleton.com)、透過郵件 (富蘭克林坦伯頓投資人服務, P.O. Box 997151, Sacramento, CA 95899-7151)，或是透過電話(800) 632-2301 來申購或是贖回本基金的股份。對於 A 股及 C 股，大部分帳戶的首次投資最低金額為美金一千元 (或是參與自動投資計畫為美金二十五元)。R6 股及 Advisor 股僅有特定的合格投資人得以購買，且其首次投資最低金額將視合格投資人的類型而有所不同，請參閱於本基金公開說明書之“您的帳戶—選擇股份類別—合格投資人—R6 股”以及“Advisor 股”的說明。首次以後之申購並無最低金額限制。

## 稅賦

基本上您在本基金所獲得的配息及資本利得，會被課以一般所得稅率、資本利得稅率，或是兩者兼具。除非您是透過稅金緩課計畫，諸如 401(k)計畫或個人退休金帳戶來進行投資，則您的配息通常是在自稅賦遞延帳戶提取時會被課稅。

## 支付予代銷公司及其他金融中介機構的款項

如果您是透過經紀商-經銷商以及其他的金融中介機構 (例如：銀行) 來購買本基金的股份，本基金及其相關公司得支付中介機構為其對基金股份的銷售與相關服務。這些款項可能引起利益衝突而影響經紀商-經銷商或是其他中介機構以及您的銷售人員推薦本基金超過其他的投資。請洽詢您的理財顧問或是造訪中介機構的網站以知悉更多的資訊。

## 基金細節

### 投資目標

本基金之主要投資目標在於追求資本利得，次要目標為藉由投資賺取股利或利息收入以提供當期收益予股東。

### 主要投資政策與實務

在一般市場狀況下，本基金將至少投資 80%淨資產於黃金及貴金屬營運公司所發行的證券。當 80%比例有所改變時，股東將接獲至少 60 天的提前書面通知。黃金及貴金屬營運公司包括黃金或其他如：銀、白金、鈹等貴金屬之開採、處理或交易的公司，包含開採融資及探勘公司以及長期或中期礦脈的營運公司。

一些金屬，包括非貴金屬如銅、鋅、鎳，通常可在地球一起被發現，結果，貴金屬可能不是公司的主要營運。為了本基金的 80%比例政策的目標，只要經理公司決定這些公司可以提供具吸引力的貴金屬投資，則這些公司可能被認為是黃金以及貴金屬營運公司。

本基金得購買位於全球各地的黃金及貴金屬營運公司的證券，並且通常將顯著地投資在非美國公司。目前本基金有顯著比例投資於設籍在加拿大的公司，雖然這些公司的採礦營運一般發生在其他國家。本基金得投資在不同市值規模之公司，以及可能大量投資於市值規模不超過美金 15 億的小型公司以及市值規模範圍介於美金 15 億至 100 億的中型企業。

本基金主要投資在普通股之股權證券。股權證券或股票代表公司一部份股份所有權，它的價值建立在公司的營運成果、分配給股東的任何營利、資產價值及一般市場狀況，股權證券包括普通股、特別股及可轉換證券等。本基金也可投資於美國、全球及歐洲的存託憑證。存託憑證為銀行或信託公司所發行，可提供持有者取得外國或本國企業發行證券的權利。

基金可以私募的形式投資於公開發行公司，依據聯邦或適用國家的證券法可豁免註冊，僅銷售給符合預定標準的特定投資人。

本基金為非多元化投資的基金，其表示相較於多元化基金，本基金通常得將較多部位資產投資於單一或多個發行公司的證券，並且可能將全部資產投資於少數發行公司的證券。

### 投資組合選擇

基金經理人尋找持有低成本盈餘以及信譽卓著具經驗管理團隊的公司，特別是著重在產品生命週期長、生產資源可擴展，以及積極的開採計劃能夠潛在地衍生未來的盈餘與生產成長的公司。基金經理人的投資組合選擇之流程包括評估任何重要的環境、社會和治理(ESG)因素對公司長期風險和報酬的潛在影響。

### 暫時性投資

當基金經理人認為證券交易市場或經濟條件不利於投資人時，可能將不超過 100% 資產之全部或大部份調整為現金、現金相當或其他高品質短期投資工具之持有，以做為暫時性之防禦措施，暫時性防禦之投資工具包括：優先股、經評比或未經評比債券、美國政府及其機構債券、各種銀行債權工具、貨幣市場基金股份以及貨幣市場投資工具包括：美國政府債券擔保的附買回交易協定。基金經理人為了尋找恰當的投資機會或保持流動性，也會投資在此等類型的證券或持有現金，在此種情況下，本基金可能無法繼續其投資方針。

## 主要風險

### 黃金及貴金屬風險

本基金的投資主要集中在黃金及其他貴金屬(特別是白金、鈹以及銀)營運公司。由於集中投資於單一產業,本基金相較於分散投資於不同產業的基金相對必須要承擔較高不利因素影響之風險。再者,目前白金和鈹營運公司的數量有限,亦進而侷限本基金分散投資於那些貴金屬的能力。

黃金和貴金屬營運公司的股價受到黃金和貴金屬如白金、鈹和銀價格及其他主要市場情況的影響。這些金屬價格可能在短期間內會有劇烈的波動,因此本基金股份價格相對於其他類型的投資會較為波動。根據市場情況,黃金以及貴金屬營運公司的表現可能會顯著地優於或落後於傳統證券投資。在面臨嚴重的通貨膨脹或顯著的經濟不確定性時,傳統投資工具如債券或股票可能會表現不佳。在此時,黃金和貴金屬維持資產的保值效果通常超出傳統的投資工具。然而,在穩定的經濟成長時期,傳統的股票和債券則可以提供較高的增值潛力,而黃金和貴金屬的價值則受到負面影響,進而影響本基金的報酬。黃金及貴金屬的價格主要受以下幾項因素影響:(1)由政府實體及中央銀行等大宗持有者所掌握全球供給量的多寡;舉例說明,假設美國或是其他大宗持有者決定出售其部分的黃金和其他貴金屬庫存量,則造成供給增加而通常使得價格下降;(2)不可預知的貨幣政策和世界各地的政經情勢;(3)對金塊投資的供給與需求,包括條狀金塊、硬幣或黃金擔保金融工具如指數型基金;(4)黃金飾品的需求;以及(5)意欲影響黃金及其他貴金屬的需求之政府政策,例如印度政府持續透過稅收政策試圖抑制黃金的需求就是一例。

一些黃金和貴金屬礦業公司會藉由出售遠期期貨避險,以不同程度減低因黃金和貴金屬價格下跌風險所受影響的程度。這樣的避險動作也侷限公司本身得以從黃金和貴金屬未來價格上漲的獲利能力。此外,避險技術本身有其風險,包括:礦業公司或交易對手可能沒有能力履行合約義務以及潛在的保證金要求。

黃金和貴金屬營運公司的股價直接受到以下幾項因素影響:(1)黃金及貴金屬的價值下跌;(2)礦物開採及生產之資本、勞工及其他成本上漲;(3)這些公司營運所在國家的不利貨幣波動、經濟事件或天然災害或其他有顯著經濟影響的事件;(4)環境許可、開採、生產或銷售之相關法令的改變;(5)勞工分裂;(6)營運問題及無法履行;以及(7)獲取可靠的能源及設備供應。這些因素可能導致標的金屬與本基金所投資之黃金和貴金屬公司證券的價格之間的誤差。本基金通常將顯著部位的資產投資於礦脈開採公司的證券。開採營運有著不同的期望礦脈生命期間。具有短期期望礦脈生命期間的礦脈開採公司的證券可能會比具有長期期望礦脈生命期間者經歷較大的價格波動。此外,金屬沉積物的開採和發展涉及顯著的費用,並且可能並不總是成功。

特定礦脈由基本金屬平行產品以及副產品如銅、鋅以及鎳所支撐。這些礦脈受到如上所述有關該平行產品以及副產品如銅、鋅以及鎳的開採之相同或相似的風險。美國或外國稅法、匯

率或礦業方面之法令有所改變會使貫徹本基金的投資政策更加昂貴，以及/或是徒增困難。

## 市場風險

本基金所持有證券或是其他投資的市場價值有時候會是快速的或無法預期的上下波動。本基金的投資可能受到個別發行公司(例如供給及需求的結果)或是證券市場中產業的因素影響而造成價值下跌。證券或是其他投資的價值上下波動可能是受到一般市場因素的影響，而非明確與特定的發行公司相關，例如：實際或可預見的不利經濟情況、利率或匯率的改變或反面的投資人觀點等等。此外，突發事件及其後果，例如：疾病的傳播；自然、環境或人為災難；財務、政治或社會干擾；恐怖主義與戰爭；以及其他悲劇或災難，可能引起投資人的恐懼及恐慌，從而可能以無法預見的方式對許多公司、行業、國家、地區和市場的整體經濟產生不利的影響。在證券市場的一般性衰退期間，多種資產類型的價值可能會下降。當市場表現令人滿意時，無法確保本基金證券或是其他投資得以參與其中或是得以先行獲利。

目前新型冠狀病毒 COVID-19 在全球爆發，導致市場混亂、極度波動、流動性受限和交易成本增加。為遏制 COVID-19 傳染使全球旅遊受到限制、醫療系統、商業運營和供應鏈中斷、裁員、消費者需求減少、違約和信用評級下調，其影響已經影響許多行業的全球經濟活動，並可能加劇當地或全球已存在的其他政治、社會和經濟風險。COVID-19 的全面影響是不可預測的，在國家和全球經濟、個人公司和金融市場是不可預測的，可能會導致高度的不確定性，並可能對基金的績效產生不利影響。

股票價格上下波動較債券價格為劇烈。在成長緩慢或經濟衰退的環境下對本基金持有之各種不同股票的價格具有負面的影響。

## 外國證券(非美國)風險

投資外國證券，通常會比投資美國國內的證券要承擔較高的風險，這些風險同時也可能存在於介入龐大外國營運的美國公司股票。

**匯率風險。**由於外國證券是以各該國貨幣為計價或做交易，是故證券價值會受到該國貨幣與美元，以及美元以外貨幣間之匯率變動的影響，舉例來說，假使美元的價值相對高於外國貨幣時，以外國貨幣做交易的投資商品價值會降低，因為它的美元價值相對較低。當本基金從事匯率交易時將會產生額外的費用，且在外國證券評價時因為須同時考量貨幣(相較於美元)及證券因素而將承受較高的風險。

**政治、經濟風險。**部份美國以外的國家，在政治、經濟及社會政策或結構方面，並不如美國穩定，且其不確定性甚高，其較高投資風險來自於該國家境內、外的衝突、徵收、資產國有化、外匯管制(例如暫停特定國家貨幣的轉換)、限制資產移動、政經環境的不穩定、軍事活動或動盪、外交發展、貨幣貶值、外國投資者股權持有的限制以及實質性、懲罰性或沒收性

的稅賦增加等。政府可能接管公司的資產或營運，或是對外匯的交易、匯出或是其他資產加諸管制。某些國家不同的法制體系也可能使基金在執行委託書投票，行使股東權利及對其外國投資尋求法律救濟等方面增添處理之困難。外交和政治發展可能會影響本基金所投資國家的經濟、產業、證券和外匯等市場。這些發展包括：快速而負面的政治變化；社會不安定；區域的衝突；由美國、其他國家或是包括超國際機構等政府機構所施加的經濟制裁；恐怖行動和戰爭。此外，這類發展可能促成國家的貨幣貶值、該等國家的發行公司信用評等的降級或是發行公司證券價值及流動性的降低。對國家施加經濟制裁或其他政府行為對某些發行公司而言可能導致，(i)該發行公司證券的立即凍結，進而損害本基金買進、賣出、接收或交付這些證券的能力，或(ii)本基金投資或持有此類證券的能力受到其他限制。這些因素會影響本基金投資的價值並且對有關基金投資極度難以預測或是納入考量。

**交易實務風險。**外國證券的經紀手續費、代扣稅、保管費及其他費用一般較高，外國政府對證券市場、貨幣市場、交易系統及經紀商之監管可能不如美國，外國交易及保管業務（保管基金資產）的流程也可能會涉及付款、金錢或其他財產的交付或收回的損失或延誤。外國政府之監督及外國證券和貨幣市場之規範及交易系統可能會不同於美國政府，此可能增加本基金法令遵循之負擔及／或減少對本基金投資人的權利或保護。

**資訊的利用。**外國公司在會計、稽核制度及財務報表準則與實務等可能不同於美國的揭露方式，因此，外國發行公司公開的資訊亦可能少於大部份美國公司。此外，外國公司提供的資訊可能不如美國公司提供的資訊及時或可信賴。

**有限的市場。**相對於許多美國證券，某些外國證券之流動性較低（不易出售）且其價格的波動性更大，由於交易較不頻繁及／或報價及賣出的延遲報導，將導致基金持有之外國證券在評價上更加困難且更加缺乏流動性。

**區域風險。**在某些區域或國家的不利情況，可能會對其他看似經濟發展不相關國家的證券發行公司有不利影響。在一定程度上，本基金投資顯著部位的資產於特定地理區域或特定國家，故將會面臨較高之特定區域的或國家的經濟風險。當本基金有顯著部位投資的地區或國家政經動亂或外交關係惡化，本基金可能會面臨重大的流動性風險或降低本基金投資的價值。

**新興市場國家風險。**本基金在市場發行人的投資通常須承受所有外國投資風險，尚需強調由於缺乏建置完備的法律、政治、商業以及社會架構來支撐證券市場所增加的風險。一些增加的顯著風險包括：

- 社會、政治及經濟較為不穩定；
- 由於政治、軍事或是區域性衝突或是由於恐怖行動或是戰爭，如果美國、其他國家或是其他政府機構（包括超國際機構）在發行公司實施限制或約束外國投資、資產的轉移或是在該國的其他經濟活動等制裁時，則該國家的貨幣貶值、在該等國家的發行公司信用評等的降級或是發行公司證券價值及流動性的降低有較高的可能性；
- 證券市場較小故交易量少或無交易量，並且流動性較欠缺及價格波動較大；

- 較多限制性的國家政策加諸於外國投資，包括：限制對國家利益敏感的發行公司或產業進行投資；
- 較少具有透明度及建置完備的稅賦政策；
- 較少具有先進的法制或立法架構以規範私募及外國投資，或是允許對私人財產損害之司法賠償；
- 對資本市場結構或市場導向經濟的熟悉度較低，而較多大規模的貪汙與舞弊；
- 本基金從事交易的金融機構及發行公司，其所擁有的財務熟稔度、信譽及／或資源較少，且其政府的法規較少；
- 政府在企業與產業實務的監管與法規、股票交易所、經紀商及上市公司較美國為少；
- 集中於少數產業程度較高而導致在區域及全球交易條件上有較多弱點；
- 通膨率較高，且通膨率波動較快速且激烈；
- 對利率變動的敏感度較高；
- 匯率波動程度增高、潛在貨幣貶值及／或貨幣管制；
- 對應經濟規模其負債重擔較高；
- 對投資組合證券交易的交割延遲較常發生，並且在股份註冊及保管實務的損失風險較高；以及
- 較少把握當有利的經濟發展浮現時，這些國家將不會被未預料到的經濟、政治或社會事件而延宕或反轉。

基於上述的因素，本基金在市場發行人的投資相較於投資已開發市場國家須承受較大的價格波動及缺乏流動性的風險。

本公開說明書對新興市場國家或公司的定義可能會不同於其他的富蘭克林坦伯頓基金公開說明書所使用的定義。

**邊境市場國家風險。**邊境市場國家，為新興市場國家的部分集合，相較於傳統新興市場通常經濟規模較小甚至是較低度開發的資本市場，因此投資在新興市場國家的風險在邊境市場國家裡是要被擴大的，而風險的擴大是因為邊境市場潛在極度的價格波動性及缺乏流動性；政府持有或是控制部分的私人部門及特定公司；貿易障礙、匯率管制、在相對貨幣價值的調控以及與邊境市場國家進行貿易的國家所實施或協商的其他貿易保護主義措施，以及在許多邊境市場國家相對地沒經驗與不穩定的證券法規等的結果。

## 中、小型股本公司之風險

投資於中、小型股本公司可以獲得較大的資本成長機會，但也可能涉及較大型股本公司更多的風險。就歷史紀錄而言，中、小型股本公司股票股價波動性大於大型公司的股票，短期而言尤其如此。主要原因在於其公司未來的成長較不確定，其股票的市場流通性較低，以及當經濟情況改變時，其敏感度卻更高。

此外，由於中、小型股本公司在管理方面較缺乏豐富的經驗，故較不容易募集到需成長或發

展之資金、生產線有限，或是所研發或行銷之新產品或服務的市場尚未確立，也可能永遠也不會成形。中、小型股本公司可能特別容易受到利率攀升的影響，因此他們在尋找資金以繼續或擴充營運上可能更加困難，特別是那些在浮動利率貸款的還款上可能有困難的公司。

**私募投資於公開發行公司風險。**以私募形式投資於公開發行公司涉及特定風險。這類私募通常是直接向公開發行公司以低於該公司普通股的市場價格認購，並且受所適用證券法的轉售限制。儘管這類私募證券的公開發行公司通常都同意在交易結束後（由其取消轉售限制）對證券進行公開轉售註冊，但無法保證將對證券進行註冊。此外，公開發行公司可能會要求本基金同意其他轉售限制，作為出售該類證券的條件。私募證券也可能受限於持有期間長以及/或不能在公開市場上交易，從而影響這類投資的流動性。因此，公開發行公司的這種私募證券可能被認為是無流動性的，並且可能難以在理想的時間或以本基金對該類證券所進行的評估價格出售。無法保證這類私募證券將向適用的監管機構進行註冊，並且私募證券可能會延遲很久才能出售。此外，由於私募證券未向適用的監管機構註冊，因此，根據聯邦或適用國家的證券法，私募證券的投資人受到的保護要比註冊證券的投資人少。

## 收益風險

本基金只能發放所賺取之收益，當來自股票投資的股利收益減少或是當本基金並未有 PFIC 利得可供分配時，本基金發放給投資人的收益分配將變少。當黃金及貴金屬價格下跌時期，本基金的收益一般將變少。

## 集中風險

本基金集中投資於特定的產業或是產業群，使得本基金在面臨任何單一經濟、企業、政治、法規或其他事件影響該產業或是產業群時越容易遭受損失。因此，對本基金的股份價格可能造成較大的波動。

## 非多元化投資

本基金為非多元化投資的基金，其表示相較於多元化基金，本基金通常得將較多部位資產投資於單一或多個發行公司的證券，並且得將全部資產投資於少數發行公司的證券。本基金相較於較為多元化投資的基金可能對於影響類似這些發行公司或證券的單一經濟、商業、政治、法規或是其他的變動都較為敏感，因此可能導致本基金股份價值較為劇烈的波動並有較大的損失。

## 存託憑證

存託憑證受標的證券的許多風險影響。對於某些存託憑證，保管機構於信託帳戶，或類似於金融機構發行公司的母國中，持有發行人股份。本基金可能面臨保管機構或金融機構的信用



風險，在發行人母國金融市場不發達的情況下，市場風險更大。此外，保管機構可能不會一直對標的證券進行實物保管，並且可能會就各種服務收取費用，包括轉發股息和利息以及其他公司行為。預計該基金將支付一部分額外費用，如果直接投資於外國證券，則不會支付這些費用。本基金在收取股息和利息或行使股東權利時可能會出現延誤。

## 管理風險

因為本基金採主動式管理投資組合，若投資經理人在有關市場、利率、具吸引力之標的、相對價值、流動性或本基金特定的投資組合潛在的增值，事後被證明是不正確的，本基金可能會遭受損失。無法確保這些投資技術或是投資經理人的投資決策能產生希望的結果。此外，立法的、法規的或稅賦的發展也會影響投資經理人於管理本基金使用的投資技術，並且也可能對本基金達成其投資目標的能力有不利影響。

關於本基金的其他詳細資料及其政策與風險，可參閱基金的補充資料報告書。

基金補充資料報告書中亦提供有關本基金揭露投資組合的政策與程序。本基金的投資組合亦可於網站線上查詢：[franklintempleton.com](http://franklintempleton.com)。

## 經理公司

富蘭克林顧問公司(Franklin Advisers, Inc.)是本基金的投資經理公司，地址是 One Franklin Parkway, San Mateo, CA94403-1906。富蘭克林顧問公司是富蘭克林公司(Franklin Resources, Inc) 旗下百分之百控股子公司。截至 2021 年 10 月 31 日止，該公司與其關係企業所管理的資產超過美金 1.56 兆元，並且自 1947 年起已從事於投資管理業務。

本基金是由專精於黃金及貴金屬營運公司投資的專業團隊所管理，本基金的管理團隊成員如下：

### **史蒂文·蘭德 (Stephen M. Land, CFA)** 富蘭克林顧問公司投資組合經理人

蘭德先生自1999年起擔任本基金之主要投資組合經理人，他對本基金的投資承擔主要責任。對於本基金的投資組合的各方面決策，他具有最高決定權。上述決策包括(但不限於)個別證券的買賣、投資組合風險評估、以及依據預估的管理需求調整每日現金流量的平衡。他執行上述決策的程度以及這些職務的性質，可能隨時調整。他是於1997年加入富蘭克林坦伯頓基金集團。

### **菲德瑞克·佛洛姆 (Frederick G. Fromm, CFA)** 富蘭克林顧問公司副總裁

佛洛姆先生自 2005 年起擔任本基金的投資組合經理人，提供個別證券買賣與投資組合風險評估的研究與建議。他是於 1992 年加入富蘭克林坦伯頓基金集團。

CFA®以及Chartered Financial Analyst®為特許財務分析師協會所擁有的商標。

本基金的補充資料報告書提供投資組合經理人報酬、他們管理的其他帳戶與他們在本基金持股情形等之補充資訊。

本基金支付富蘭克林顧問公司本基金的經理費用。在截至 2021 年 7 月 31 日的會計年度，經理公司同意調降其經理費用以反映本基金因投資於富蘭克林坦伯頓貨幣基金而縮減的服務項目。然而，這項費用調降少於本基金平均淨資產價值的 0.01%。此外，股務代理機構已依據契約同意設定本基金 R6 股之股務代理機構費用門檻，因此直到 2022 年 11 月 30 日前將不超過 0.03%，截至 2021 年 7 月 31 日的會計年度，經理費用為 0.46%。

與董事會核准本基金之投資顧問契約的相關討論，可以於 7 月 31 日截止的會計年度的年報中參閱。

## 配息與稅賦

### 所得及資本利得分配

作為一個受管轄投資公司，本基金通常無須為了它發放給您的收益與利得繳納聯邦收益稅。本基金預定至少每年自其淨投資收益發放一次收益配息。資本利得，若有的話，至少每年分配一次。本基金得較頻繁地發放股利收益與資本利得，若有需要的話，以便降低或是排除加諸於本基金的聯邦特許權稅或所得稅。每次的發放金額將有所變動，且不保證本基金每年皆會發放所得股利或資本利得股利。除非您選擇收取現金，否則您的收益配息與資本利得將以淨值(NAV)自動轉入再投資為增加的股份。

### 年度報表

在每年結束不久後，您將會收到一份來自本基金有關您前一年於本基金所獲配息所屬聯邦收益稅賦處理和任何應稅賣出或轉換所涉及之基金股份的稅賦資訊。如果碰到本基金在核發予您稅賦資訊後有必要重新歸類收益或是調整任何涉及賣出或轉換基金股份的成本基礎時，本基金將會寄給您一份更正稅賦資訊。於12月對記名股東所宣告的12月配息但是在1月份支付，將視為係在12月發放而須課稅。有關本基金年度配息的額外稅賦資訊得於網站上瀏覽：[franklintempleton.com](http://franklintempleton.com)。

### 避免“購買股利”

當您購買基金股份時，本基金之淨資產價值可能會反應基金持有之投資組合證券之未分配收益、未分配資本利得或未實現投資組合價值增值。對於應課稅的投資人，即使該配息收入為投資報酬的一部分，您仍須為基金隨後的配息納稅。在本基金宣告發放股利前或資本利得分配前購買本基金股份，有時將被視為“購買股利”。

## 稅賦考量

假如您是應課稅的投資人，您在本基金所獲得的配息及資本利得，不管是轉入再投資購買追加的股份或是現金股利，通常會被課以一般所得稅率或者是資本利得稅率，或是兩者兼具。

### 股利收入

配息收益通常適用於一般所得稅率，而由本基金對股東表明為合格股利的配息收益，在符合特定持有期間要求下的個人投資者得以適用調降的長期資本利得稅率。資本返還的配息通常無須課稅，但是將降低您基金股份的成本基礎，並且將導致您以後售出股份時有較高的資本利得或較低的資本損失。

### 資本利得

本基金短期資本利得的分配也將適用於一般所得稅率。不管您持有基金股份期間長短，長期資本利得的分配是以調降的長期資本利得稅率課稅。對於2021年應納稅收入不超過40,400

美元的單身人士(已婚人士申請聯合報稅的應納稅收入不超過80,800美元),適用的長期資本利得稅率為0%。對於應納稅收入超過這些數額但分別不多於445,850美元的單身人士或501,600美元的共同申報人,適用的長期資本利得稅率為15%。單身人士應納稅收入超過445,850美元以及已婚人士共同申報的應納稅收入超過501,600美元的長期資本利得稅率為20%。3.8%的醫療保險稅也可能被額外課徵,其討論如下所示。

## 基金股份銷售

當您出售本基金股份或是將原基金持股轉換到不同的富蘭克林坦伯頓旗下的基金持股時,您通常將認定應稅的資本利得或虧損。若您持有本基金股份超過一年以上,任何淨長期資本利得將適用於長期資本利得所調降的稅率。在同一支基金中一股份類別轉換到另一股份類別不屬於課稅範圍,這類交易亦無資本利得或是損失須要提出申報。

## 成本基礎申報

如果您在2012年1月1日當日或之後取得本基金股份,通常稱為“涉及股份”,並且在前揭日期之後賣出或轉換股份,則本基金通常須要每年向您以及美國國稅局報告成本基礎資訊。本基金將利用平均成本方法(本基金的“內定方法”)計算您的涉及股份之成本基礎,除非您聯絡本基金選用不同的方法,或是選擇在每次賣出或轉換之時特別指明您的股份。如果您的帳戶是持有於您的金融理財顧問或是其他的經紀商-經銷商,該公司可能選用不同的內定方法。在這些情況下,敬請與該公司連絡以取得您的帳戶之現有方法及選擇性的相關資訊。股東應小心謹慎地審閱由本基金所提供的成本基礎資訊,並且準備當申報這些金額的聯邦收益稅及州收益稅時所要求之任何的額外基礎、持有期間或是其他調整。有關成本基礎申報的額外資訊得於網站 [franklintempleton.com/costbasis](http://franklintempleton.com/costbasis) 查詢取得。

## 醫療保險稅

對美國納稅個人、不動產以及信託的某些淨投資收益(包括從基金所收取的一般收益及資本利得分配以及來自贖回的淨利得或是其他基金股份的應稅資產處分)將額外課徵3.8%的醫療保險稅,前揭適用於這些人的“計算調整後所得毛額(modified adjusted gross income)” (如果是個人)或是“調整後所得毛額(adjusted gross income)” (如果是不動產或信託)超過門檻金額者。對於此額外醫療保險稅的任何責任將就您的聯邦所得稅納稅申報表提出申報,並且將以其支付之。

## 代扣保留

股東可能被預扣來自基金出售或轉換基金股份所獲得之基金收益及資本利得的任何分配或款項,如果股東提供不正確的納稅人身分號碼或是根本沒有提供該號碼,沒有恰當地申報利息或股利的款項而按美國國稅局行事須遵從代扣稅賦規定,沒有證明該股東無須遵從代扣稅賦規定,或是沒有證明該股東是美國人(包括美國居民),則股東在基金收益及資本利得的任何分配或是來自基金股份的出售或轉換的款項可能須遵從代扣稅賦的規定。代扣稅率目前為24%。州代扣稅賦規定也可能適用之。

## 州稅、地方稅與外國稅賦

基金的一般收益和資本利得的分配與基金股份銷售所獲的利得通常須繳交州稅與地方稅。若本基金資格符合的話，可選擇將外國稅捐利益或是投資所支付的任何外國稅捐扣除額轉嫁給您。

## 非美國投資人

非美國投資人所獲基金一般配息收益可能適用 30%代扣稅或略低之稅率。非美國投資人在其股份的價值也可能適用美國房產稅。他們須提具特殊美國稅賦證明條件才適用於得以規避預扣代扣稅、主張任何代扣稅免除及主張任何協定利益等。本基金從銷售基金股份的已實現資本利得、長期淨資本利得所支付資本利得配息、短期資本利得所支付短期資本利得配息，以及從其美國境內來源的合格淨利息收益等所支付之利息相關配息將得以免除美國代扣稅。然而，儘管得以就來源免除美國代扣稅，但是如果您不能合宜地證明您不是美國人時，將以 24%之稅率代扣任何這類股利、收益分配以及資本利得。

## 其他申報及代扣要求

在美國海外帳戶稅收遵循法案(The Foreign Account Tax Compliance Act, 簡稱 FATCA)的意旨範圍內，款項支付予“外國金融機構(a foreign financial institution)”股東或是“非金融外國法人(a non-financial foreign entity)”股東，可能須在本基金所支付的收益配息，代扣 30%稅額。如外國金融機構提供基金(或在某些情況下，提供美國國稅局)需要的某些外國金融帳戶的所有權資訊或其他適當證明或文件以確認其 FATCA 身分狀態，則 FATCA 代扣稅通常得以被避免。本基金或將需要申報某些股東帳戶資訊給美國國稅局、非美國當地的稅務機關或其他第三人以遵循 FATCA。

## 其他稅賦資訊

在「配息與稅捐」章節中的討論只是一般資訊並非稅務建議。在投資本基金之前，您應該與您的稅務顧問諮詢您的特別狀況，以及任何有關聯邦稅、州稅、地方與外國稅賦結果。有關投資於本基金的稅賦結果之補充資訊得於本基金的補充資料報告書查詢。

## 財務重點

此表格呈現出基金在過去五年來或自其基金成立日以來的財務績效表現。某些資料是反映在單一股份的財務成果。表格中的總報酬率是假設股利配息以及資本利得皆轉入再投資，投資人投資於此基金可能賺取或虧損的比率。此資料已經由美國會計師事務所〔PricewaterhouseCoopers LLP〕完成審核，此報告連同基金的財務報表，都收編在年報中，可供投資人索取。

### A 股

年度底為 7 月 31 日

	2021	2020	2019	2018	2017
<b>每單位股份操作績效 (針對持續全年流通在外之股份)</b>					
期初淨資產價值	\$28.04	\$16.68	\$13.56	\$16.19	\$24.06
來自投資操作之收益 <sup>a</sup> ：					
淨投資收益(損失) <sup>b</sup>	0.04	(0.04)	(0.02)	(0.06)	(0.04)
淨實現及未實現利得(損失)	(1.20)	11.40	3.14	(2.51)	(6.45)
來自投資操作之收益總額	(1.16)	11.36	3.12	(2.57)	(6.49)
扣除配息來自：					
淨投資收益	(2.65)	—	—	(0.06)	(1.38)
<b>期末淨資產價值</b>	<b>\$24.23</b>	<b>\$28.04</b>	<b>\$16.68</b>	<b>\$13.56</b>	<b>\$16.19</b>
總報酬 <sup>c</sup>	(3.80)%	68.05%	23.01%	(15.92)%	(26.85)%
<b>對應平均淨資產比率</b>					
費用 <sup>d,e</sup>	0.90%	0.93%	0.98% <sup>e</sup>	1.02%	0.98%
淨投資收益(損失)	0.17%	(0.20)%	(0.15)%	(0.37)%	(0.24)%
<b>補充資料</b>					
期末淨資產(000's)	\$921,127	\$938,555	\$645,108	\$587,294	\$776,677
投資組合資金週轉率(%)	18.91%	17.00%	12.82%	8.36%	13.99%

- 視與基金所獲取的收益以及/或是基金投資市值的變動相關的基金的股份出售與購回的時間點，於此期間內流通在外股份所顯示的金額可能與此期間的經營業績表所實現的金額未有關聯。
- 以每日平均流通在外股數為基礎。
- 總報酬並不反映銷售酬佣或是或有遞延銷售手續費(如適用)。
- 關係企業支付款項減免的利益四捨五入到小於 0.01%。
- 費用減少的利益四捨五入到小於 0.01%。

**C 股**

年度底為 7 月 31 日

	2021	2020	2019	2018	2017
<b>每單位股份操作績效</b>					
(針對持續全年流通在外之股份)					
期初淨資產價值	\$25.42	\$15.24	\$12.49	\$14.96	\$22.39
來自投資操作之收益 <sup>a</sup> ：					
淨投資收益(損失) <sup>b</sup>	(0.13)	(0.16)	(0.11)	(0.15)	(0.17)
淨實現及未實現利得(損失)	(1.09)	10.34	2.86	(2.32)	(5.99)
來自投資操作之收益總額	(1.22)	10.18	2.75	(2.47)	(6.16)
扣除配息來自：					
淨投資收益	(2.49)	—	—	—	(1.27)
<b>期末淨資產價值</b>	<b>\$21.71</b>	<b>\$25.42</b>	<b>\$15.24</b>	<b>\$12.49</b>	<b>\$14.96</b>
總報酬 <sup>c</sup>	(4.53)%	66.80%	22.02%	(16.51)%	(27.41)%
<b>對應平均淨資產比率</b>					
費用 <sup>d,e</sup>	1.65%	1.68%	1.73%	1.77%	1.73%
淨投資收益(損失)	(0.59)%	(0.94)%	(0.90)%	(1.12)%	(0.99)%
<b>補充資料</b>					
期末淨資產(000's)	\$93,615	\$106,271	\$75,129	\$94,997	\$137,487
投資組合資金週轉率(%)	18.91%	17.00%	12.82%	8.36%	13.99%

- 視與基金所獲取的收益以及/或是基金投資市值的變動相關的基金的股份出售與購回的時間點，於此期間內流通在外股份所顯示的金額可能與此期間的經營業績表所實現的金額未有關聯。
- 以每日平均流通在外股數為基礎。
- 總報酬並不反映銷售酬佣或是或有遞延銷售手續費(如適用)。
- 關係企業支付款項減免的利益四捨五入到小於 0.01%。
- 費用減少的利益四捨五入到小於 0.01%。

**R6 股**

年度底為7月31日

	2021	2020	2019	2018	2017
<b>每單位股份操作績效</b>					
(針對持續全年流通在外之股份)					
期初淨資產價值	\$30.20	\$17.90	\$14.50	\$17.31	\$25.58
來自投資操作之收益 <sup>a</sup> :					
淨投資收益(損失) <sup>b</sup>	0.13	0.03	0.04	0.01	0.04
淨實現及未實現利得(損失)	(1.28)	12.27	3.36	(2.68)	(6.87)
來自投資操作之收益總額	(1.15)	12.30	3.40	(2.67)	(6.83)
扣除配息來自:					
淨投資收益	(2.73)	—	—	(0.14)	(1.44)
<b>期末淨資產價值</b>	<b>\$26.32</b>	<b>\$30.20</b>	<b>\$17.90</b>	<b>\$14.50</b>	<b>\$17.31</b>
總報酬	(3.46)%	68.66%	23.45%	(15.50)%	(26.53)%
<b>對應平均淨資產比率</b>					
未扣除關係企業支付款項減免之費用	0.69%	0.72%	0.83%	0.79%	0.57%
扣除關係企業支付款項減免之費用 <sup>c</sup>	0.56%	0.56%	0.58%	0.55%	0.52%
淨投資收益(損失)	0.49%	0.17%	0.25%	0.10%	0.21%
<b>補充資料</b>					
期末淨資產(000's)	\$25,458	\$20,574	\$10,808	\$8,153	\$4,635
投資組合資金週轉率(%)	18.91%	17.00%	12.82%	8.36%	13.99%

- 視與基金所獲取的收益以及/或是基金投資市值的變動相關的基金的股份出售與購回的時間點，於此期間內流通在外股份所顯示的金額可能與此期間的經營業績表所實現的金額未有關聯。
- 以每日平均流通在外股數為基礎。
- 費用減少的利益四捨五入到小於0.01%。



**Advisor 股**

年度底為7月31日

	2021	2020	2019	2018	2017
<b>每單位股份操作績效</b>					
(針對持續全年流通在外之股份)					
期初淨資產價值	\$29.88	\$17.73	\$14.38	\$17.17	\$25.38
來自投資操作之收益 <sup>a</sup> :					
淨投資收益(損失) <sup>b</sup>	0.11	0.01	0.01	(0.02)	— <sup>c</sup>
淨實現及未實現利得(損失)	(1.28)	12.14	3.34	(2.67)	(6.81)
來自投資操作之收益總額	(1.17)	12.15	3.35	(2.69)	(6.81)
扣除配息來自:					
淨投資收益	(2.71)	—	—	(0.10)	(1.40)
<b>期末淨資產價值</b>	<b>\$26.00</b>	<b>\$29.88</b>	<b>\$17.73</b>	<b>\$14.38</b>	<b>\$17.17</b>
總報酬	(3.59)%	68.47%	23.30%	(15.70)%	(26.69)%
<b>對應平均淨資產比率</b>					
費用 <sup>d,e</sup>	0.65%	0.68%	0.73%	0.77%	0.73%
淨投資收益(損失)	0.41%	0.05%	0.10%	(0.12)%	0.01%
<b>補充資料</b>					
期末淨資產(000's)	\$307,110	\$280,317	\$143,589	\$130,812	\$164,253
投資組合資金週轉率(%)	18.91%	17.00%	12.82%	8.36%	13.99%

- 視與基金所獲取的收益以及/或是基金投資市值的變動相關的基金的股份出售與購回的時間點，於此期間內流通在外股份所顯示的金額可能與此期間的經營業績表所實現的金額未有關聯。
- 以每日平均流通在外股數為基礎。
- 每股金額四捨五入到小於0.01%。
- 關係企業支付款項減免的利益四捨五入到小於0.01%。
- 費用減少的利益四捨五入到小於0.01%。

## 您的帳戶

### 選擇股份類別

每一股份類別皆有其個別的銷售手續費以及費用結構，方便您針對所需來選擇合適的類別。特定金融中介機構可能不提供某些股份類別。您的金融中介機構或投資代表(理財顧問)能夠協助您決定對您最合適的股份類別。只有在投資紀錄上指定投資代表(理財顧問)的投資人可以選擇C股購買。未指定理財顧問但已持有C股之既有投資人，不能再追加C股的投資，但可以在其他有C股之富蘭克林坦伯頓基金間進行轉換。配息及資本利得配息再投資可以繼續投資在現存的C股的基金帳戶之下。雇主贊助退休金計劃不適用此項規定。

A 股	C 股	R6 股	Advisor 股
5.50%或少於5.50%的首次銷售手續費。	沒有首次銷售手續費。	請參閱提供“合格投資人—R6股”的說明。	請參閱提供“合格投資人—Advisor股”的說明。
在十八個月之內出售高於或等於美金一百萬元，將加收1%的遞延銷售手續費。	在十二個月之內出售您的基金持股，將加收1%的遞延銷售手續費。		
由於較低的配銷費用，A股的年度費用較C股為低。	由於較高的配銷費用，C股的年度費用較A股為高。約8年後將自動轉換成A股，減少未來的年度費用。		

### A & C 股

提供特定銷售手續費免除及折扣可能取決於您直接從本基金或透過金融中介機構申購您的基金股份。不同的金融中介機構可能會酌收不同的銷售手續費(包括可能的銷售手續費扣抵或減免)其費用列示於下表。有關金融中介機構提供特定銷售手續費之變動，請參閱公開說明書附錄A中所描述，標題為“金融中介機構銷售手續費折扣及免除”。附錄A得併入公開說明書參考(係本公開說明書合法上的一部分)。

如上所述，本公開說明書中描述的某些股份類別和/或股東權益或服務的可用性將取決於您的金融中介機構的政策、程序和交易平台。因此，您可能會通過您的金融中介機構投資於某個股份類別。本基金不對任何額外的股份類別資格要求、最低投資額、交換特權或其他政策負責。若這些規定的費用和開支高於本公開說明書中提供的其他股份類別，這將對您的投資回報產生不利影響。由金融中介機構通知股東任何變更。金融中介機構(而非本基金)有責任確保您獲得適當的金融中介機構特定豁免、折扣、最低投資額、最低帳戶餘額和其他特殊安排，並且您被安排在適當的股票類別中請諮詢您的財務顧問以考慮您的選擇，包括您是否有資格獲得本公開說明書中描述的股份類別和/或股東權益或服務。

在所有情況下，申購者有責任於申購時，若有符合銷售手續費用免除或折扣之任何關係或其

他事實時，通知本基金或申購者的金融中介機構。如透過特定中介機構不能享有免除或折扣，股東必須直接從本基金或透過其他中介機構申購本基金股份，以享有此免除或折扣。

銷售手續費 - A 股		
您的投資金額	佔賣價之銷售手續費百分比 <sup>1</sup>	等於佔淨投資額的百分比 <sup>1</sup>
低於美金五萬元	5.50	5.82
美金五萬元但低於美金十萬元	4.50	4.71
美金十萬元但低於美金二十五萬元	3.50	3.63
美金二十五萬元但低於美金五十萬元	2.50	2.56
美金五十萬元但低於美金一百萬元	2.00	2.04
美金一百萬元或以上	0.00	0.00

<sup>1</sup> 銷售手續費的收費金額是基金單位的賣價（適用銷售手續費的要件如上表所示）與基金單位淨資產價值之間的差價。因為賣價採標準進位計算至小數點第二位，股份購買的數目與由賣價百分比而得的銷售手續費金額以及您的淨投資額可能因進位或退位而有高低出入。

## 銷售手續費扣抵及免除

**數量折扣** 我們提供兩種方法使您可以結合您現有的 A 股基金股份申購數量以及其他現有的富蘭克林坦伯頓基金持股，使您現有的申購數量能夠適用於較低的銷售手續費。當您持有的基金股份達到某個「銷售手續費突破點」時，您將能夠適用較低的銷售手續費。您也可以免費在網站上查詢這項資訊：[franklintempleton.com/quantity-discounts](http://franklintempleton.com/quantity-discounts)

您也可以到 [franklintempleton.com](http://franklintempleton.com) 的網站中，點選“Investments & Solutions”後再點選“Investments Resources”項下的“Quantity Discounts for Class A Shares”，即可連結到上述網頁。

1. **累積數量折扣**—合併您現有的富蘭克林坦伯頓基金股份（稱為可享折扣優惠之累積數量股份）與您目前申購的 A 股基金股份，來決定您是否具有銷售手續費突破點的資格。

合格累積數量折扣股份為富蘭克林坦伯頓基金股份註冊於(或是經由金融中介機構所持有於)：

- 您個人名下；
- 您的“家庭成員”定義是由適用的州法所認可之您的配偶或是國內合夥人，以及您的年紀小於 21 歲的子女；
- 您與一位或多位家庭成員聯名持有；
- 您與其他人士（非家庭成員）聯名持有，且該位人士並未將聯名持有之基金股份列入其個人投資之富蘭克林坦伯頓基金股份的可享折扣優惠之累積數量股份之內；
- 在 Coverdell 教育儲蓄帳戶，您或家庭成員為指定負責人；
- 在您的 IRA（包含 Roth IRA 或雇主贊助的 IRA：例如 SIMPLE IRA）或您涵蓋 403(b) 計畫的非 ERISA 的受託人或保管機構，前提是基金股份是登記/紀錄在您的或家庭成員的社會安全號碼下；
- 您或家庭成員具有對 529 大專儲蓄計畫帳戶的投資處理與監控權；
- 任何您或家庭成員具有獨立或與人共享的帳戶投資處理與監控主要職權的實體（例

如：您或家庭成員是 UGMA/UTMA 兒童帳戶的保管人，您或家庭成員是信託的受託人，您（或家庭成員）是您（或家庭成員）的獨資事業的商業帳戶（但不包括退休計畫）的被授權帳戶簽署人）；

- 由您或家庭成員為讓與人而設立之信託。

由雇主贊助退休基金計畫的管理人或受託人/保管機構（例如：401(K)計畫）所持有之富蘭克林坦伯頓基金股份不能計入累積數量折扣優惠。

由多種雇主贊助退休基金計畫所持有富蘭克林坦伯頓基金股份，若是該等計畫是由同一雇主所贊助，則得以結合所持有的基金股份以計入「銷售手續費突破點」。

若您認為你有可享折扣優惠之累積數量股份得以合併到您的目前申購量，且可達到「銷售手續費突破點」時（例如：股份由不同的經紀商-經銷商帳戶、銀行或是投資顧問所持有之帳戶），您有責任在申購時（包括未來作任何申購時）特別向您的理財顧問指明這些股份。您可能須要向您的理財顧問提供投資於富蘭克林坦伯頓基金的所有相關帳戶之資訊及紀錄（包括帳戶報表）。若您對您所關聯的富蘭克林坦伯頓基金股份沒有指定理財顧問，您有責任在申購時特別向基金股務代理機構指明這些可享折扣優惠之累積數量股份。

若您有可享折扣優惠之累積數量股份得以併入您的目前申購，但您卻未在任何申購之時告知您的理財顧問或是富蘭克林坦伯頓基金的股務代理機構，您將不能獲取可得之銷售手續費折扣的優惠，因為您的理財顧問以及本基金通常沒有該等資訊。

可享折扣優惠之累積數量股份的價值等同於這些股份的成本或現值中較高者。股份現值是由您申購前的基金股份數目乘上申購當日的公開發行價格而定之。股份的成本是在您申購前的可享折扣優惠之累積數量股份之加總金額（包括再投資的股利和資本利得，但不包括資本增值），減去任何贖回。因為您的目前理財顧問或是富蘭克林坦伯頓基金可能沒有或是維持這些資訊，因此您有責任去留存足以證實歷來股份成本的任何紀錄。

“雇主贊助退休基金計畫”是一種合格退休計畫，ERISA 涵蓋了 403 (b) 與特定的以類似於合格退休計畫方式運作的非合格遞延補償規畫，例如 457 計畫與執行遞延補償規畫等，但並不包含雇主贊助 IRAs。“合格退休計畫”是一種雇主贊助且符合內部盈餘法規之 401 (a) 條款，包括 401 (k) 條款（包含退休金、利益分享與福利計畫）規定的退休或利益分享計畫。

**2. 意向同意書(LOI)** – 若您表明您同意在 13 個月的期間內，陸續購買“可享折扣優惠之累積數量股份”（“累計數量折扣”之定義如以上段落所述）達所載明的投資金額，即可獲得相同於一次大額購買所適用的銷售手續費；然而，依據再投資的權利、您的持股增值所進行的申購，不計入意向同意書期間之申購中。在 13 個月的期間內，額外的申購、以及再投資股利和資本利得計入您的意向同意書中。我們將預留您想要申購之總額的 5% 的 A 股註冊於您名下，直到您達成意向同意書所載投資金額，它將用來備抵當您無法履行意向同意書所載投資金額時所須追加的銷售手續費。當您認為你有充分的合格累積數量股份得以達成意向同意書所載投資金額時，您有責任告知您的理財顧問。在意向同意書開始日之前，您的可享折扣優惠之累積數量股份（“累計數量折扣”之計算如以上段落所述）的價值，可計入您的意向同意書中。然而，可享折扣優惠之累積數量股份的成本價值，只能在意向同意書開始日的 18 個月內進行股

份申購彙總。

若您對您所關聯的富蘭克林坦伯頓基金股份沒有指定理財顧問，而當您認為你有充分的合格累積數量股份得以達成意向同意書所載投資金額時，您有責任告知基金的股務代理機構。關於更多意向同意書的細節，可參閱本基金的補充資料報告書。

您只須在帳戶申請書中就適用之項目填妥，就可立即簽字參加這些方案。

**富蘭克林坦伯頓基金**包含所有富蘭克林坦伯頓於美國註冊之共同基金。他們未包含在富蘭克林坦伯頓變額保險產品信託的基金在內。

### 銷售手續費免除

某些特定投資人購買 A 股，可無須支付首次銷售手續費或是或有遞延銷售手續費 (CDSC)。如果您要索取關於銷售手續費免除的現有資訊，請致電您的投資代表或是請撥投資人服務熱線(800) 632-2301。

**特定投資人的銷售手續費免除。**下列投資人或投資情形基於在銷售成果及費用的可預期經濟規模，而符合購買 A 股無須支付首次銷售手續費或是或有遞延銷售手續費 (CDSC)，其包括：

- 與富蘭克林承銷有限公司(簡稱為承銷公司)已執行銷售合約的證券交易商及其關係企業的現任員工及其眷屬，依其雇主所允許之內部政策。
- 由富蘭克林公司的子公司依據：(1) 顧問契約(包含附屬顧問契約)、及/或(2) 作為贈與或遺囑信託之受託人所管理的資產。
- 提供予退休計劃的團體年金分離帳戶。
- 由銀行、信託公司或互助儲蓄銀行擔任具有投資決定權之受託人的購買，於投資時已報備該受託關係的適當通知。
- 顧問費用方案。由投資人所取得之股份(相對於)投資人與註冊中介-經紀商或投資顧問、信託公司、銀行或其他金融中介機構(簡稱為方案發起者)之間所簽訂的綜合費用或其他顧問費用合約，其為投資人支付該方案發起者提供投資顧問服務的費用，而方案發起者或是中介-經紀商則透過投資人所取得之股份而與承銷公司簽訂基金股份銷售授權合約。沒有首次投資金額的限制。
- 與承銷公司已簽訂合約並且已被承銷公司核准可透過網路、平台，或自行投資經紀帳戶提供基金股份的金融中介機構分銷商得向其顧客收取交易費或其他費用。
- 股東直接從本基金直接購買，而不是透過任何金融中介機構(如經銷商，即為經紀人)。
- C 股股東依 C 股之轉換功能，其股份於持有 8 年後轉換為 A 股股份。

**退休計劃。**富蘭克林坦伯頓投資人服務已被告知以下得取得 A 股淨值：

- 雇主贊助退休計劃(簡稱為“計劃”或“一個計劃”)其透過帳務紀錄維護平台或是第三方退休平台進行投資；或
- 投資人申購股份的款項係來自以 Fiduciary Trust International of the South (FTIOS) 為保管機構的個人退休帳戶。

## 美金一百萬及以上的投資

假如您的投資金額超過美金一百萬以上，不管是單次總額或是透過我們的累積數量折扣亦或是意向同意書(LOI)方案，您都可以購買 A 股而無須支付首次銷售手續費。然而，在十八個月之內出售任何您的基金持股，將收取 1%的或有遞延銷售手續費(CDSC)。每類型股份的或有遞延銷售手續費之計算方式皆相同〔請詳參或有遞延銷售手續費—A & C 股資料〕。

## 配銷及服務〔12b-1〕費用

A 股採用配銷方案，有時稱之為 12b-1 方案，即允許本基金每年支付不超過 0.25%的配銷費用或其他費用給參與銷售和配銷 A 股以及提供其他服務給股份持有者之單位。因為在持續進行的基礎上，這些費用的支付是來自 A 股的資產，經年累月下勢必會增加您的投資成本，而且可能比其他型態的銷售手續費支付更多。

我們以十二個月期間計算這些費用的金額，其可能不同於本基金的會計年度。因此，由於時間選擇的不同，在本基金費用表格所顯示的金額（其係基於本基金的會計年度）可能不同於 12b-1 方案所載金額。

銷售手續費 - C 股
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銷售手續費 - C 股，無首次銷售手續費。
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我們將等於或高於 US\$1,000,000 的金額下單到 A 股，因為 A 股沒有首次銷售手續費而且 A 股的年度費用較低。

## 或有遞延銷售手續費

在十二個月之內售出任何您的 C 股基金持股，將收取 1%的或有遞延銷售手續費。每類型股份的或有遞延銷售手續費之計算方式皆相同〔請詳參或有遞延銷售手續費—A & C 股資料〕。

## 配銷及服務〔12b-1〕費用

C 股採用配銷方案，有時稱之為 12b-1 方案，即允許本基金每年支付不超過 1%的配銷費用或其他費用給參與銷售和配銷 C 股以及提供其他服務給股份持有者之單位。因為在持續進行的基礎上，這些費用的支付是來自 C 股的資產，經年累月下勢必會增加您的投資成本，而且可能比其他型態的銷售手續費支付更多。

## C 股持有 8 年後自動轉換為 A 股

於 2021 年 8 月 2 日起生效，C 股的轉換功能提供 C 股於持有 8 年或以上將自動轉換為 A

股，並將不再依循 C 股 12b-1 費用之規定（但將依循 A 股 12b-1 費用之規定，若有）（“轉換功能”）。在 2021 年 8 月 2 日之前，C 股轉換功能仍有 10 年的持有期。第一個 8 年轉換將於 2021 年 8 月 16 日開始。本基金之 C 股於申購日 8 週年之後，將以月為基準，於當月或次月，自動轉換成 A 股。每月轉換日期通常發生在每月中旬左右，通常在星期五。

### 轉換功能條款

本基金的 C 股將自動轉換為 A 股，轉換的基礎是依據二個類股之相對淨資產價值。依據轉換功能將 C 股轉換至 A 股，股東將不需支付申購手續費，包括或有遞延銷售手續費。本基金的 C 股在持有 8 年後自動轉換為 A 股，預計不會成為聯邦所得稅目的之應稅事件。股東應向稅務顧問諮詢有關此轉換之州及當地稅務影響。

如果您之前已持有任何富蘭克林坦伯頓基金已被合併或轉換至本基金的 C 股，則您持有這些股份的時間計入自動轉換為 A 股的 8 年期限。透過自動再投資股利或配息所獲得之本基金 C 股將於轉換日自動轉換成 A 股，依照非透過再投資股利或配息所獲得之 C 股比重轉換。

透過金融中介機構在綜合帳戶中持有的 C 股將被轉換為 A 股，若中介機構能證明股東已符合所規定的持有期限。在特定情況下，當股份投資透過退休計劃、綜合帳戶及其他特定狀況，本基金及其代理機構可能不具透明度以說明股東持有 C 股的期間，而決定該 C 股是否能夠自動轉換至 A 股，金融中介機構可能無法追蹤個別股東之購買持有期間。這主要發生當股份透過某些記錄保管員投資於集體退休計劃時，金融中介機構無法追蹤股份的參與年限。在這些情況下，本基金將無法如上所述自動轉換 C 股至 A 股。為了確定這些轉換的資格，股東或其金融中介機構有責任通知本基金，股東有資格將 C 股轉換成 A 股，並且股東或其金融中介機構可能需要維持並向本基金提供證明其持有 C 股期限的記錄。保存記錄並確認股東已持有適當的期間是金融中介機構（非本基金）的責任。請向您的金融中介機構諮詢您的股份是否有此轉換的資格。

新帳戶或新計劃也可能不具資格購買本基金的 C 股，若已確定中介機構無法追蹤股東的持有期間以確認是否股東所持有的 C 股有資格轉換至 A 股。於 2018 年 10 月 5 日或之前參與帳戶或計劃（及其後繼者，相關和關係的計劃）而持有本基金 C 股，這些股份得持續開放帳戶予新參與者並且既有參與者帳戶可申購額外股份。本基金不負責監查、監控或實施金融中介機構確認股東是否符合轉換所需的持有期限的程序。

金融中介機構得協助以及/或控管帳戶、計劃或平台，推行不同轉換時程或轉換 C 股成 A 股的不同資格要求。在這些情況下，C 股股東可能會根據金融中介機構的政策將其轉換為 A 股，且該轉換可以被建構成對同一基金的 C 股對 A 股股份交換。在這些情況下，金融中介機構將負責進行這種交換。請諮詢您的金融中介機構，假如您對您的股份從 C 股轉換為 A 股有



任何疑問。

## 或有遞延銷售手續費 - A & C 股

每類型股份的或有遞延銷售手續費是比較股份銷售時的現值和股份購買時的淨值何者為低，來做計算基礎。當您的配息或收益轉入再投資時，則無須支付任何或有遞延銷售手續費。

為了儘可能降低您的或有遞延銷售手續費，我們會在您每次下銷售指令時，優先賣出您帳戶內無須支付或有遞延銷售手續費的股份。如果無足夠的股份可迎合您的要求，我們會按照先進先出的方式來銷售股份。在您做基金轉換時，我們亦會採用相同的方式〔請詳參基金轉換資料〕。

**或有遞延銷售手續費的持有期間**開始於您購買股份的那天。您的股份在下個月的同一日期將計算持有一個月，以此類推。舉例來說，如果您在某月 18 日購買股份，則在下個月的 18 日即持有股份一個月，在下一個月的 18 日即持有股份二個月，以此類推。

## 重新投資之優惠\*

若您賣出富蘭克林坦伯頓基金之任何股份類別，您得將全部或部分的賣出所得款項於賣出後 90 天內重新投資於相同股份類別（或等同的股份類別，如您贖回的股份類別，已不開放給新投資人申購）而無須支付首次銷售手續費。如果在投資當時您的股份已直接跟本基金的股務代理機構註冊；若是帳戶持股紀錄沒有指定投資代表，則 C 股或 R 股將被轉入再投資在 A 股；以及，來自 Z 股的早期賣出收益也得被轉入再投資在 A 股。

此重新投資的優惠不適用於：(i) 定期定額投資方式，例如透過銀行帳戶定期扣款申購、或是 (ii) 基金申購款來自於非富蘭克林坦伯頓之個人或雇主贊助之 IRA 計畫的雇主贊助退休計畫所間接持有的富蘭克林坦伯頓基金股份。

您必須在您投資時通知您的投資代表或是本基金的股務代理機構有關此優惠，以便善用此重新投資之優惠。

基本上，假如您賣出您的 A 股或 C 股並支付了或有遞延銷售手續費，承銷公司會將您在 90 天之內就出售金額轉入再投資部分所支付的或有遞延銷售手續費經由增加到轉入再投資金額的方式退回您的帳戶。對於 A 股有得以被退回之或有遞延銷售手續費轉入再投資時，則將適用新的或有遞延銷售手續費且將重新開始計算或有遞延銷售手續費持有期間。對於 C 股有得以被退回之或有遞延銷售手續費轉入再投資在 A 股時，您在新配發 A 股將不會收到得以被退回之或有遞延銷售手續費，而且您的投資將不用支付任何或有遞延銷售手續費。

## 合格投資人 - R6 股



下列投資人符合申購本基金之 R6 股份：

- 雇主贊助退休計劃的計畫級別或是綜合帳戶係持有於富蘭克林坦伯頓投資人服務 (Franklin Templeton Investor Services) 的名冊。
- 當捐贈資產；基金會；地方縣市州政府機構；公司；公司化的非營利組織以及保險公司 (合稱為“機構投資人”) 直接購買基金時，機構投資人的最低首次投資金額為每檔基金美金一百萬元。
- 無關聯之美國註冊共同基金，包括以組合基金形式運作之基金。
- 其他富蘭克林坦伯頓基金以及富蘭克林坦伯頓投資經理公司提供顧問或輔助顧問服務的基金。
- 執行銷售契約附錄的金融中介機構，承認其僅代理其客戶進行 R6 股之交易。
- 顧問費用方案。由投資人所取得之股份(相關於)投資人與註冊中介-經紀商或投資顧問、信託公司、銀行或其他金融中介機構(簡稱為方案發起者)之間所簽訂的綜合費用或其他顧問費用合約，其為投資人支付該方案發起者提供投資顧問服務的費用，而方案發起者或是中介-經紀商則透過投資人所取得之股份而與承銷公司簽訂基金股份銷售授權合約。沒有首次投資金額的限制。
- 在計劃層級內的健康儲蓄帳戶(HSA)或在富蘭克林坦伯頓投資服務公司帳簿上已持有之綜合帳戶。

## 合格投資人 – Advisor 股

下列投資人或投資資產符合申購本基金之 Advisor 股份：

- 顧問費用方案。由投資人所取得之股份(相關於)投資人與註冊中介-經紀商、投資顧問、信託公司、銀行或其他金融中介機構(簡稱為方案發起者)之間所簽訂的綜合費用或其他顧問費用合約，其為投資人支付該方案發起者提供投資顧問服務的費用，而方案發起者或是中介-經紀商則透過投資人所取得之股份而與承銷商簽訂基金股份銷售授權合約。沒有首次投資金額的限制。
- 當直接購買本基金時，符合美國內部收益法規第 501 條所規定之資格的政府、市政府、及免稅實體。
- 與富蘭克林承銷有限公司(簡稱承銷公司)已執行銷售契約的證券交易商及其關係企業的現任員工及其眷屬，依其雇主所允許之內部政策。
- 富蘭克林坦伯頓基金集團或富蘭克林坦伯頓基金(包括由任何該等人士維持、擁有、控制或設立的任何基金會、信託或福利計劃)之現任或前任的主管、受託人、董事，以及全職員工(及其個別個案之眷屬)，與我們的現行政策一致。最低首次投資金額為美金一千元(若為自動投資計劃則為美金五十元)。
- 由富蘭克林公司的子公司依據：(1) 顧問契約(包含附屬顧問契約)、及/或(2) 作為贈與或遺囑信託之受託人所管理的資產。
- 雇主贊助退休計劃(簡稱為“計劃”或“一個計劃”)其透過帳務紀錄維護平台或是三分退休平台進行投資。
- 雇主贊助退休計劃其總計劃資產金額達到或超過美金一百萬元直接投資於富蘭克林坦伯頓基金。

- 由銀行、信託公司或互助儲蓄銀行擔任具有投資決定權之受託人的購買。
- 作為依據美國內部收益法規第 529 條規定的合格學費計劃之一部份而成立的任何信託或計劃。
- 與富蘭克林法人機構公司 (Franklin Templeton Institutional, LLC, 簡稱為 FTI, LLC) 的現有客戶有關的個人或實體, 但須 FTI, LLC 已諮詢其客戶並同意。
- 無關聯之美國註冊共同基金, 包括以組合基金形式運作之基金。
- 持有之帳戶資產係依據投資顧問公司的推介所提供: (1) 資產持有於與投資顧問公司之無關聯的公司、(2) 投資顧問公司與其客戶係按照聘用訂金或是其他類似費用安排、(3) 客戶為非個人客戶、及 (4) 富蘭克林公司的子公司同意該投資。
- 與承銷公司已簽訂合約並且已被承銷公司核准可透過網路、平台, 或是自行投資經紀帳戶提供基金股份的金融中介機構分銷商得向其顧客收取交易費或其他費用。最低首次投資金額為美金十萬元, 除非另經分銷商豁免。

## 同一基金之股份轉換豁免

於金融中介機構轉換同一基金股份。以下所述為同一基金股份之間的轉換, 通常為免稅, 其為聯邦所得稅目的。您應諮詢您的稅務顧問, 以瞭解此類基金股份轉換在州稅及地方稅之相關訊息。此轉換權利將被終止且可能不定時修改。

**符合 Advisor 股份或 Z 股份之顧問諮詢計劃資格。**藉由參與由金融中介機構 (“諮詢計劃”) 主辦及/或控制的特定計劃申購 A 股份及 C 股份, 在某些情況下可能由金融中介機構代表股東, 於同一基金轉換為 Advisor 股份, 包括有顧問諮詢計劃資格可申購該基金的 Advisor 股份。如果持有 Advisor 股份的股東不再參與諮詢計劃, 則在某些情況下, 股東持有的 Advisor 股份可由金融中介代表股東交換為同一基金的 A 股。在這種情況下, 股東將適用先前未適用的 12b-1 費用規定。所有此類交換都是由金融中介機構發起而非基金, 基金沒有關於此類交易的資訊或管理。此轉換將以每一股份之 “每股淨資產價值” 為基礎, 不酌收任何銷售手續費或其他費用。除非另有同意, 否則任何轉換至 A 股份和 C 股份都須支付 CDSC 費用。

於金融中介機構轉換 C 股份至 A 股份。透過附錄 A 之特定金融中介機構申購 C 股份, 在某些情況下, 可以由金融中介機構代表股東進行轉換至同一基金的 A 股份。這種轉換將以每一股份之 “每股淨資產價值” 為基礎, 不酌收任何銷售手續費或其他費用。

## 購買股份

### 最低投資金額 - A & C 股

	首次投資
一般帳戶、UGMA/UTMA 帳戶、目前與以前的富蘭克林坦伯頓基金集團所屬機構的全職員工, 高階主管, 受託人, 和董事等, 及其家庭	US\$1,000

成員	
自動投資計畫	US\$25
雇主贊助退休計畫, SIMPLE-IRAs, SARSEPs 或 403(b)	無最低金額限制
IRAs, IRA 孳息, Coverdell 教育定期定額計畫, 或 Roth IRAs	US\$250
經紀商-代理商資助配套帳戶方案	無最低金額限制

金融中介機構可能會規定與上表不同的最低投資金額。本基金對金融中介機構所規定的任何最低投資金額或將其任何變更通知股東等均不負責。有關一些中介機構的特定最低投資金額之更多資訊，請參詳附錄 A。若您對其政策有任何疑問，敬請諮詢您的金融中介機構。

請注意您只能購買（包括轉換交易的申購端）合乎您所屬的州以及轄區的法令規定之基金股份。本基金及其他的富蘭克林坦伯頓基金是計畫對美國居民推展銷售業務，除了非常有限的例外情形，並沒有在其他的管轄範圍內註冊或是提供銷售業務。

尤其，本基金沒有在加拿大任何省分或區域之管轄範圍內註冊，因此本基金股份尚未符合在加拿大任何管轄區域內銷售。本公開說明書所提供之股份不得在加拿大任何省分或區域之管轄範圍內或是為其居民的利益而被直接或間接提供或銷售。未來的投資人可能被要求須表明其非為加拿大居民，並且沒有代表任何加拿大居民來獲取股份。同樣地，本基金沒有在歐盟或是歐洲經濟區的任何會員國家註冊，因此本基金股份尚未符合在前揭任何國家內被直接或間接提供或銷售。如果投資人在購買股份之後變成加拿大、歐盟或是歐洲經濟區居民，則該投資人將無法再追加申購本基金的任何股份（除了配息及資本利得的轉入再投資）或是轉換本基金股份到其他美國註冊的富蘭克林坦伯頓基金。

## 帳戶申請

如果您打算開立新帳戶，請填妥所附的開戶申請書以及簽署您的大名。確認好您已選擇的基金股份種類。若您未加指示，我們會以投資 A 股來做處理。為了節省時間，您只須在開戶申請書中適當的部分填好所需要的服務項目，就可立即簽字參加投資〔請參詳有關投資人服務〕。舉例說明：若您希望將您的銀行帳戶連結到您的基金帳戶，以便透過您的銀行電匯處理您的基金買賣，請填具開戶申請書中的銀行資料部分。我們會建檔您的銀行資料以處理未來的申購以及贖回。我們不接受現金、信用卡扣帳、預付簽帳卡、非銀行匯款、旅行支票或是外國銀行支票提款，做為購買基金股份價金之支付方式。

## 購買股份

	開戶	增加帳戶投資金額
經由您的投資代表	聯繫您的投資代表	聯繫您的投資代表
<p>透過電話/網路 (800) 632-2301 franklintempleton.com 注意：某些帳戶形式並沒有提供線上帳戶機制。</p>	<p>若您的其他富蘭克林坦伯頓基金帳號以及銀行資料已被建檔時，您可以透過電話開立新的同一註冊帳戶。為了確保當日得以進行投資，您的電話指令必須在美西時間下午一點之前或紐約證券交易所正常排定的收盤前(以較早者為準)被我們收到並接受。您可以在網站：<a href="http://franklintempleton.com">franklintempleton.com</a>開立某些新帳戶。</p>	<p>在透過電話或網路連結進行追加投資金額到現有的帳戶前，請確認我們已有您的銀行檔案資料。若我們無此資料，您將必須傳送您的銀行名稱及地址之書面指示、一張作廢的支票或儲蓄帳戶存款條。所有銀行及基金帳戶持有人必須簽署請求。若銀行及基金帳戶並無至少一位共同持有人，則每個所有人也必須有其簽名保證。</p> <p>為了確保當日得以進行投資，您的電話或網路指令必須在美西時間下午一點之前或紐約證券交易所正常排定的收盤前(以較早者為準)被我們收到並接受。</p>
<p>透過郵件</p>	<p>請開立支票，填具支票受益人為本基金。</p> <p>將支票連同您已完成簽名的開戶申請書一併寄到投資人服務處。</p>	<p>請開立支票，填具支票受益人為本基金並在支票上載明您的帳號。</p> <p>取出您的帳戶報告書裡的存款條填妥之。若您沒有存款條，請附上一份載有您的姓名、基金名稱、以及您的帳號的便條。</p> <p>將支票連同存款條或是上述便條一併寄到投資人服務處。</p>
<p>透過電匯 (800) 632-2301 (或(650) 312-2000 付費電話)</p>	<p>來電索取電匯控制號碼以及匯款指示。</p> <p>辦理電匯匯款並將您已完成簽名的開戶申請書寄到投資人服務處。在申請表格上，請註記上您的電匯控制號碼或是您的新的帳號。</p> <p>為了確保當日得以進行投資，您的匯款必須在美西時間下午一點之前或紐約證券交易所正常排定</p>	<p>來電索取電匯控制號碼以及匯款指示。</p> <p>為了確保當日得以進行投資，您的匯款必須在美西時間下午一點之前或紐約證券交易所正常排定的收盤前(以較早者為準)被我們收到並接受。</p>

	的收盤前(以較早者為準)被我們收到並接受。	
透過轉換 franklintempleton.com	請致電(800) 632-2301 股東服務處，或是寄送已簽名的書面指示。您也可以透過網路下達基金轉換的指令。  〔請詳參有關基金轉換資訊〕	請致電(800) 632-2301 股東服務處，或是寄送已簽名的書面指示。您也可以透過網路下達基金轉換的指令。  〔請詳參有關基金轉換資訊〕

富蘭克林坦伯頓投資人服務  
P.O. Box 997151, Sacramento, CA 95899-7151  
免付費電話：(800) 632-2301  
或每日 24 小時、每週 7 天皆可瀏覽我們的網站：[franklintempleton.com](http://franklintempleton.com)

## 投資人服務

### 自動投資計畫

此計畫提供您一個簡便的方式來投資本基金，每月自動從您的支票帳戶或是儲蓄帳戶扣款購買基金。請透過我們的網站 [franklintempleton.com](http://franklintempleton.com) 或是填好帳戶申請書中適當的欄位並寄送到投資人服務處，就可立即簽字參加投資。若您要開立新帳戶，請在申請書上載明最低首次投資金額。

### 自動電話系統

我們的自動系統提供 24 小時終日無休的服務供您方便查詢您的帳戶資料或是任何一支富蘭克林坦伯頓基金資料。您可利用按鍵式電話撥打如下列的電話號碼：

股東服務	(800) 632-2301
顧問諮詢服務	(800) 524-4040
退休金計畫服務	(800) 527-2020

### 配息選擇權

您可以將所獲之配息及收益轉入再投資現有基金帳戶中相同基金股份類型\*或是其他的富蘭克林坦伯頓基金。若您將配息或收益轉入再投資，將無須支付首次銷售手續費或是或有遞延銷售手續費。您也可選擇將您的配息及收益存入銀行帳戶，或是郵寄支票給您。存入銀行帳戶得以電匯方式為之。

\*C 股的股東可以將其配息及收益轉入再投資到任一支持富蘭克林坦伯頓貨幣基金之 A 股。Advisor 股的股東可轉入再投資其他富蘭克林坦伯頓基金之 Advisor 股或 A 股。若要將您的配息轉入再投資到其他富蘭克林坦伯頓基金的 Advisor 股，您必須是現有的 Advisor 股的股東或符合申購 Advisor 股的資格。

如果您收到配息後並於配息日後 90 天內決定將它轉入再投資到其他富蘭克林坦伯頓基金的 A 股，您將不會被收取首次銷售手續費。

請於申請書中指定您選擇的配息方式，否則我們將為您的配息轉入再投資到本基金相同的股份類別。

### 退休金計畫

富蘭克林坦伯頓共同基金集團為個人與企業提供了多樣的退休金計畫。這些計畫要求有別於一般的申請書，可能需要與贖回相關的特別表格，其政策與流程與本公開說明書所示可能有差別。索取進一步資料，諸如免費的退休金計畫文宣品或是申請書，敬請電洽(800) 527-2020 退休金計畫服務處。

## 電話/網路權利

當您開立帳戶，您就自動獲得電話/網路服務權利，可供您取得或查詢您的帳戶資料，並透過電話或網路來執行數種交易，包括：大部分的基金股份購買、賣出、或轉換、利用電匯買賣大部分的基金股份、變更您的地址、增加或變更您的銀行帳戶資料、以及增加或變更您的帳戶服務（包括：配息選擇權、系統提款計畫以及自動投資計畫）。

您須在我們的網站 [franklintempleton.com](http://franklintempleton.com) 的股東服務專區先行完成註冊，才能夠查詢您的帳戶資料或要求網路線上交易。您將被要求接受線上合約條款以及設定密碼，以啟動線上服務。若您已註冊線上服務，您也可以線上加入富蘭克林坦伯頓股東電子文件傳輸方案。您將可由網路電子文件傳輸（經由我們的網站）收到大部分基金的公開說明書、委任書與其他文件、以及您的帳戶報表和交易確認書，並停止收取郵遞的書面文件。使用我們的股東網站，表示您同意透過網際網路來傳輸或接收個人的財務資料，您應該確認您能無慮於網路傳輸的風險。

只要我們遵行合理的安全措施以及執行我們合理認定為真實的指示，我們將不擔負未經授權的請求所造成的任何損失。我們會要求密碼或其他資料，而且可能電話錄音。我們有權利(但無義務)拒絕電話之請求，倘若來電的人未能提供所要求的資訊或我們可合理認為來電的人非此帳戶之被授權人。為協助防護您的帳戶，請妥善保密您的密碼，在您收到確認報告書後請立即查證其準確性。若您認為有人未經授權進出您的帳戶及密碼，請立即與我們聯絡。我們建議使用備有 128 位元加密之網路瀏覽器，來進行線上交易。在異常市場活動期間時，可能導致某些與我們聯繫的方式（例如：透過電話或經由網路）無法利用或延誤。當然，您可以選擇不註冊網路交易權利。此外，若您不想要電話服務權利，或任何時間想要停止您的電話/網路服務特權，請來電指示。您也可以隨時用書面申請恢復這些權利，包括：用線上註冊獲得網路交易權利。

**注意：**電子通訊管道不一定安全。若您選擇透過電子通訊管道（例如：電子郵件、聊天室、簡訊、傳真）向我們發送機密性或敏感性的資料，則表示您接受與潛在安全性缺乏所伴隨的相關風險，像是您的機密性或敏感性的資料可能會被第三方攔截/侵入且其後被利用或出售的可能性。

## 系統提款計畫

這計畫將允許您自動賣出基金股份並在您的帳戶定期收到價款。當提款超出某些金額時，可能會加諸或有遞延銷售手續費。某些條款及最低限額會採行。請透過網站 [franklintempleton.com](http://franklintempleton.com) 聯絡我們或給予指示。

## 尊貴投資人計畫

如果以富蘭克林坦伯頓基金服務代理機構名義直接持有的富蘭克林坦伯頓基金股份(不包括以經紀公司帳戶間接持有的股份)的總計價值超過美金\$500,000, 您將有資格晉升至尊貴投資者計畫(VIP)。富蘭克林坦伯頓 VIP 股東享有提昇的服務及交易資格, 請聯絡股東服務(800) 632-2301 以取得更多相關資訊。

## 賣出股份

您可以在任一時間賣出您的股份。為了確保是當日的贖回交易, 贖回需求必須在美西時間下午一點之前或紐約證券交易所正常排定的收盤前(以較早者為準)被我們收到並接受。提醒您可能會被收取或有遞延銷售手續費。

## 書面賣出股份

基本上, 可以透過電話, 網路或一封簡單的信件做賣出美金十萬或以下金額的要求。然而, 有時為了保護您以及本基金, 在下列情況下, 我們會要求所有的註冊所有人皆須簽立書面指示以及每個所有人的簽名保證:

- 您打算賣出價值超過十萬美金的股份。
- 您要將您的收益付給某位非註冊所有人。
- 您要將您的收益寄到某處尚未經登記的地址, 或未事先授權的銀行或經紀公司帳戶。

當我們收到代理人, 而非註冊所有人的書面指示時; 當您要求將您的收益寄到的銀行帳戶其在近期十五天內才被增加或變更至您的帳戶, 而且該銀行及基金帳戶有不少於一位共同持有人時; 或是基於接獲的指示, 使我們相信簽名保證可以保護本基金對抗潛在的索賠時, 我們也可能需要簽名保證。

對於尊貴投資人計畫的成員所適用的金額可能較高。請參照有關計畫晉升資格之資訊說明。

**簽名保證**協助您的帳戶預防詐欺。您可以於大部分的銀行及證券交易商取得簽名保證。

公證人**無法**提供簽名保證。

## 賣出近期購置股份

假如您賣出剛購買的股份, 我們可能會延遲寄出您的收益, 直到我們確認您的支票、匯票、或電子匯款完全無誤, 這將會花費七個或更多的工作天來運作。

## 贖回收益

在我們收到您適當形式的請求後, 您的贖回支票將會在七日之內寄出。我們不能收取或支付現金。



## 退休金計畫

在出售 FTIOS(Fiduciary Trust International of the South)的退休金計畫之股份，您可能需要填具額外的表格。年齡低於 59½ 的計畫參加者，可能會加徵懲罰稅捐。欲詳細節，請致電(800) 527-2020 退休金計畫服務處。

## 賣出股份

賣出您的部份或全部股份	
透過您的投資代表	聯絡您的投資代表。
經由信件	<p>寄書面指示以及背書的股權證明書(若您持有股權證明書)到投資人服務處。公司，合夥，或信託帳戶可能需要多寄其他的文件。</p> <p>請註明基金，帳號以及您希望賣出的金額或股數。請確認您已將所有應簽名處和任何追加文件，以及視個案需要的簽名保證都包含在內。</p> <p>除非您另有書面指示，否則支票會被郵寄到帳戶裡所登錄的姓名及地址。</p>
經由電話/網路 (800) 632-2301 franklintempleton.com	<p>只要您的交易金額是美金十萬或以下金額，無持有股權證明書，您可以透過電話或網路賣出您的股份。對於尊貴投資者計畫之會員的金額上限可能較高。請參詳有關於適任的資格訊息。</p> <p>支票會被郵寄到帳戶裡所登錄的姓名及地址，或是事前認可的第二地址。若需要將支票寄到其他的地址或是將您的收益付給其他人，請出具簽名保證的書面指示。</p> <p>若您在 15 日之內變更地址而未有簽名保證，要求賣出股份及郵寄支票到帳戶裡所登錄的姓名及地址，請出具簽名保證的書面指示。得透過電話或網路要求賣出您的股份及郵寄收益至事前認可之第二地址。</p>
經由電子匯款 Electronic Funds Transfer (ACH)	<p>您可以致電，來信，或上網，要求將贖回收益入到銀行帳戶。請詳參以上有關透過信件，電話，或網路賣出基金股份的政策。</p> <p>在要求將贖回收益入到銀行帳戶前，請先確認我們已有您的銀行帳號檔案資料。若我們無此資料，您將必須傳送您的銀行名稱之書面指示、一張作廢的支票或儲蓄帳戶存款條。所有銀行及基金帳戶持有人必須簽署請求。若銀行及基金帳戶並無至少一位共同持有人，則每個所有人也必須有其簽名保證。</p> <p>如果銀行及基金帳戶是在近期十五天內才被增加或變更時，您可能被要求提供一份由所有基金帳戶持有人簽署的書面指示，連同各個基金帳戶持有人的簽名保證。</p> <p>如果我們在美西時間下午一點之前或紐約證券交易所正常排定的收盤前(以較早者為準)接獲您的適當型式的要求，通常您會在二到三個</p>

	營業日收到透過電匯之收益。
經由基金轉換	<p>拿一份您有意申購的基金的近期公開說明書，公開說明書可於 <a href="http://franklintempleton.com">franklintempleton.com</a> 之網站上取得。</p> <p>致電股東服務處或郵寄簽名的書面指示。您也可上網下達轉換基金的指示。請詳參上述有關透過信件、電話或網路賣出基金股份的方針。</p> <p>若您持有股權證明書，在基金轉換處理前，您需要將股權證明書退還給本基金。</p>

富蘭克林坦伯頓投資人服務

P.O. Box 997151, Sacramento, CA 95899-7151

免付費電話：(800) 632-2301

或每日 24 小時、每週 7 天皆可瀏覽我們的網站：[franklintempleton.com](http://franklintempleton.com)

## 轉換股份

### 轉換權利

#### A & C 股

您可以在大部分的富蘭克林坦伯頓基金的相同股份類型\*間轉換基金股份，且通常無須支付任何追加的銷售手續費。若您從貨幣基金轉換股份而且這些股份以往未曾支付銷售手續費，則可能需繳交銷售手續費。

\* 富蘭克林互利系列基金之 Z 股的股東無須支付任何銷售手續費即可轉換到 A 股。其他的富蘭克林坦伯頓基金之 Advisor 股的股東亦無須支付任何銷售手續費即可轉換到 A 股。假如您轉換到 A 股，爾後又決定想要轉換到有提供 Advisor 股或 Z 股之基金，若您是 Advisor 股或 Z 股的目前股東或是您在其他方面符合購買本基金的 Advisor 股或 Z 股的資格，您可以將您的 A 股轉換到 Advisor 股或 Z 股。

在任何的或有遞延銷售手續費將自首次投資日期起繼續計算，但於基金轉換當日並不計算。在基金轉換時，或有遞延銷售手續費的購買價格是以您支付原始股份的價格計算。

#### C 股轉換功能對轉換的影響

如果您將您的 C 股轉換至另一檔富蘭克林坦伯頓基金之同一股份類別，您持有原始基金股份的時間計入自動轉換為 A 股的 8 年期限。

#### R6 股

您可以將您的 R6 股轉換到其他富蘭克林坦伯頓基金的 R6 股。您也可以將您的 R6 股轉換到目前沒有提供 R6 股之基金的 Advisor 股。

#### Advisor 股

您可以將您的 Advisor 股轉換到其他富蘭克林坦伯頓基金的 Advisor 股。您也可以將您的 Advisor 股轉換到目前沒有提供 Advisor 股之基金的 A 股（無須支付任何銷售手續費）\*，或是轉換到富蘭克林互利系列基金之 Z 股。

\* 假如您轉換到 A 股，爾後又決定想要轉換到有提供 Advisor 股之基金，若您是 Advisor 股的目前股東或是您在其他方面符合購買本基金的 Advisor 股的資格，您可以將您的 A 股轉換到 Advisor 股。

#### 所有股份

“轉換股份”的其餘部分適用於所有股份。

除非您送交附帶簽名保證的書面指示，否則轉換通常只能在可辨識的註冊帳戶之間進行。

轉換實質是兩個交易：賣出一檔基金及購買另一檔基金。基本上，適用於購買及賣出的政策同樣適用於轉換，包括最低投資金額（整個帳戶餘額的轉換除外）。轉換如同平常的賣出及購買一樣，也會有相同的稅賦結果。

## 拒絕轉換

若本基金拒絕涉及基金股份出售的轉換要求時，此拒絕轉換要求也同時代表拒絕以其出售收益購買其他基金股份的請求。當然，您基本上可以隨時贖回本基金股份。

## 透過金融中介機構轉換

若您是透過金融中介機構間接投資本基金，(例如：經紀商-經銷商、銀行、保險公司分離帳戶、投資顧問、負責 IRS 認可稅賦遞延定期定額計畫的管理人或受託人，如：在本基金維持法人機構主帳戶(“集合帳戶”)代表其客戶進行交易之 401(k)退休計畫以及 529 學院定期定額計畫)，則可能適用不同的轉換或/及移轉限制準則及限制規定。您透過金融中介機構的投資可能選擇採行專為遏止短期間或過度交易而設計的不同交易限制。請與您的金融中介機構〔若是 401(k)退休計畫，則請與您的計畫贊助者諮商〕諮商，以決定可能適用您的交易限制，包含轉換/移轉限制。

## 基金轉換權利變更/免除

本基金可能在未來終止或是調整(暫時性或永久性)基金轉換權利。除非有其他依法提供的方式，否則您將會收到本基金的 60 天通知函告知本基金所做的實質性變更。

## 其他基金的轉換權利

若在涉及轉換交易的兩個基金間做轉換有抵觸時，我們將採用較嚴格的規定做轉換交易。其他的富蘭克林坦伯頓基金可能有不同的轉換限制。細節請查閱各基金之公開說明書。

## 同一基金的股份轉換

同一基金之間的股份轉換，不須為聯邦所得稅目的被課稅。然而，股東應就其轉換或交換股份諮詢其稅務顧問在州以及地方稅務之相關訊息。

## 過度交易政策

本基金的董事會已採用下列與在基金股份過度交易相關的政策與作業程序(過度交易政策)。

本基金無意圖提供短期或是過度的基金股份買賣交易及贖回，其可能不利於基金。例如：這類交易活動可能妨礙本基金之投資組合的效率管理，或是可能會大幅增加基金的交易成本、管理成本或稅捐。

此外，由於本基金有顯著比例投資於外國證券，使得本基金可能容易引起一般所謂的“時差套利”此種短期擇時交易的型態。時差套利擇時交易發生在投資人尋求在共同基金投資組合持股價值的變動與反映在基金股份的淨資產價值的變動之間的可能延遲之獲利。這些延遲比較容易發生於外國投資上，係因為本基金之外國投資組合於外國市場交易的時間與本基金的淨值計算時間(通常為紐約證券交易所每個營業日交易結束時，請參閱“帳戶政策—計算股份價格”)之間有時差的落差。時差套利交易者可能利用有事件發生於外國市場已確立收盤價之後，但基金淨值尚未計算的時間落差申購或贖回基金股份，而基金股份的價值可能因此被稀釋。本基金的公平價值定價程序的目標之一就是為了減少這類套利的可能性(請參閱“帳戶政策—外國證券定價—時差與市場假日帶來的潛在衝擊”)；然而，無法確保本基金的公平價值定價程序得以成功摒除套利交易。

由於本基金可能投資於交易受限制、尚未上市、流動性不佳、罕有交易、或相對而言流動性較差的證券(“相對不流通證券”),因此本基金可能特別容易引起套利短線交易。套利交易者可能利用本基金中的某一個或數個相對不流通證券之最新可取得的市價與本基金計算淨值時所用的證券價格之間的差異來牟利。本基金的公平價值定價程序的目標之一就是為了減少這類套利的可能性(請參閱“帳戶政策—個別證券的公平價值”);然而,無法確保本基金的公平價值定價程序得以成功摒除套利交易。

本基金透過代理機構執行股東對本基金及其他富蘭克林坦伯頓基金股份交易的持續監控以便試圖判定股東的交易型態是否顯示出持續進行短線交易策略的現象。當代理機構偵測出或透過其他資訊確認出股東於其他非富蘭克林坦伯頓基金之短線交易型態,且若代理機構斷定這類交易可能不利於本基金時,代理機構將代表本基金尋求限制或拒絕後續的短線交易,以及/或是採取如下所述之其他行動。若是您在本基金或任一其他富蘭克林坦伯頓基金,或是在非富蘭克林坦伯頓基金的相關交易活動訊息,引起本基金經理人或代理機構的注意,並且基於此訊息本基金或代理機構依其自身的單獨判斷,合理地斷定這類交易的模式可能如同過度交易政策裡所述不利於本基金時,本基金可能暫時或是永久性禁止您以後申購本基金,或是選擇性限制您以後任何申購的金額、次數或頻率,以及/或是您以後可能要求的申購或贖回的方法(包括在本基金以及任何其他共同基金之轉換交易所涉及的申購以及/或是贖回)。

在考慮投資人的交易模式時,本基金會參照其他因素做考慮,諸如直接與透過金融中介機構、在本基金、在其他的富蘭克林坦伯頓基金、在非富蘭克林坦伯頓基金,或是在共同控制或所持有的帳戶而得知的股東交易歷史(舉例而言,可參閱補充資料報告書中的“購買及賣出股份—資產配置及大股東的投資”章節)。當投資經理公司或代理機構合理地判斷欲申請之交易數量將混亂或在其他方面干擾本基金投資組合之經理效率時,代理機構也得拒絕任何申購或贖回的申請,無論其是否表現出任何繼續的交易模式。在決定何種行動應該被採行時,本基金代理機構可能考量各種因素,包括:這些補償行動在基金及其股東的潛在衝擊。如果基金是“組合型基金”,本基金代理機構可能將本基金與本基金投資之相關標的基金兩者的交易活動以及任何建議的補償行動的衝擊都納入考量。

### 透過金融中介機構的過度交易

不管投資人是直接持有本基金股份或是間接經由金融中介機構申購,例如:經紀商-經銷商、銀行、保險公司產品,例如:年金保險契約、投資顧問、負責 IRS 認可稅賦遞延定期定額計畫,例如:401(k)退休計畫以及 529 學院定期定額計畫的管理人或受託人,投資人均應遵守本基金之過度交易政策。

一些金融中介機構代表其客戶在本基金維持主帳戶(亦即“集合帳戶”)。本基金與這些金融中介機構已簽訂“資訊分享契約”其允許本基金得提出要求以獲得有關金融中介機構的客戶投資於本基金的交易活動訊息。若是本基金代理機構認定集合帳戶級別交易模式有潛在不利於本基金的可能性時,代理機構依其自身的單獨判斷,得向金融中介機構要求有關客戶的交易活動訊息。基於檢閱此訊息,如果代理機構判斷任何客戶的交易活動可能不利於本基金時,代理機構得依其自身的單獨判斷,要求金融中介機構限制或拒絕該客戶於本基金的後續交易。無法確保本基金代理機構監控集合帳戶級別交易模式能夠使其認定所有金融中介機構的客戶的短線交易。

### 交易的撤銷

本基金保有得以任何理由拒絕任何申購的權利,同時本基金也可能撤銷已執行的申購指示其在代理機構依自身的單獨判斷合理地認定該交易可能違反本基金過度交易政策的目標。



## 帳戶政策

### 計算股份價格

#### A & C 股

當您申購基金時，您所支付的價格為基金股份的“申購價”。基金的申購價是以一減去銷售費用的值來除基金的淨值，以標準進位法算到小數點以下二位數所得的數值。您的申購金額除以申購價並以標準進位法計算到小數點以下三位數所得的數值，即為您申購到的股份數目。舉例而言：若基金淨值為美金 \$ 10.25，銷售費用為 5.50%，則申購價為  $10.25 \div (1 - 0.055)$ ；亦即為  $10.25 \div 0.9450$ ，等於 10.846561，取進位到小數點二位數所得的數值為 10.85。因此申購價即為美金 \$10.85。

當您出售基金時，您將收到基金淨值減去或有遞延銷售手續費的金額。

#### 所有股份

基金的價值是以基金資產減去基金負債來計算。基金淨值是以基金淨資產價值除以基金流通在外股數來計算。

本基金在每個營業日的美西時間下午一點或紐約證券交易所正常排定的收盤時間(以較早者為準)計算基金每股淨資產價值。當紐約證券交易所休市時，本基金不計算淨值。上述的休市日包括新年假期、馬丁路德金恩紀念日、總統日、復活節、陣亡將士紀念日、獨立紀念日、勞動節、感恩節與聖誕節。如果紐約證券交易所排定提早休市時，本基金股份價格的決定是依紐約證券交易所交易結束時間。如果由於天氣或其他特殊或非預期的情況發生時，紐約證券交易所非計劃性的提早休市時，本基金保留將該日當作正常營業日的權利，並接受申購和贖回指令，且依紐約證券交易所正常排定的一般交易收盤時間計算股份價值。基金的每股淨資產價值得於以下網站查詢 [www.franklintempleton.com/performance](http://www.franklintempleton.com/performance)。

本基金與特定金融中介機構達成協議，授權他們接受指令或指定第三方代表基金接受指令。如果您已透過這些金融中介機構下指令，則指令在接受時將被視為已收到。在接受金融中介機構或其服務代理機構的指令後，這些指令將會以次日的淨資產價格(NAV)受理。若您透過中介機構的帳戶下指令，請諮詢中介機構，以確認您的指令將在何時執行，有些中介機構可能會要求在指定的截止時間之前收到指令。

當我們或是被核准的金融中介機構收到以適當的表格填寫的申購或贖回書後，我們然後以每股淨資產價值來處理您的申購或贖回。

計算基金淨值時，現金與應收帳款是以其可實現的金額來計算，利息則以累計利息來記錄，配息則計算到前一個配息日為止。基金通常使用二種獨立的定價服務以輔助確認目前每個證券的市價。當掛牌於證券交易所的市場報價已可取得時，基金分別以該證券最新的報價或其當天的收盤價來評估其價值；如果沒有成交價，則以最近期的買價與賣價的範圍來定價。對

於上櫃證券，基金則以最近期的買價與賣價的範圍來評估櫃檯交易證券的價值。如果投資組合中的證券同時上市且上櫃，基金將以涵蓋範圍最具廣度和代表性之市場的報價估值。本基金收到的證券價格可能以機構的“整數”規模為基礎，但本基金可能持有較小的“畸零”規模。畸零股數可能比整數股數以較低價格交易。

一般而言，公司債、美國政府債與貨幣市場工具會於每日美西時間下午一點前的不同時段完成交易。用來計算基金淨值的上述有價證券的價值即是以上述交易完成時的價值來決定。有時候，在這些證券的價值已被確定與美西時間下午一點之間卻有事件發生，而該事件的影響尚未被列入基金淨值的評估。此時本基金依靠第三人價格供應商提供反映美西時間下午一點的現行公平市場價值的評估價格。

## 個別證券的公平價值

由於本基金可能投資於交易受限制、尚未上市、流動性不佳、罕有交易、或相對而言流動性較差的證券，因此本基金中的某一個或數個相對不流通證券之最新可取得的市價與本基金計算淨值時所用的證券價格之間可能有所差異。本基金的董事會已核准本基金採用公平價值定價程序，在這些證券與其他資產的市價尚無法取得（例如某些受限制證券、未上市證券、與私募證券）或其價格可能無法信賴（例如某些證券之交易的暫停或中止、某些外國市場對證券價格漲跌幅的限制、或某些證券的交易量極小或無法流通）時，即採用此程序來定價。可能用來定價這些證券的方法包括：基本面分析（例如複合收益）、矩陣定價、類似證券之市價的折價，或依據證券處置之限制的性質及期限確定折價。董事會會監控公平價值定價程序的執行。

公平價值定價系統以特殊的程序呈現以誠信基礎所作出的定價程序。但它無法保證當基金出售某證券時就能夠取得基金計算每股淨值時為該證券所決定的公平價值。

## 公司債的證券定價

相較於公開市場交易，公司債通常是於店頭市場中交易。本基金將用以下方式定價，包括來自債券交易商所提供之報價、有關債券與票券交易的資訊，而且得以利用獨立定價服務來協助確定各個證券的當前市值。本基金的定價服務得利用債券交易商的獨立報價與債券市場活動來確定當前的價值。

## 選擇權的評價

本基金利用上述的方法計算投資組合中選擇權的價值。本基金所持有的任何選擇權的目前市價是以基金進行資產定價前，它在相關的交易市場的最新售價來定價。如果當天它沒有交易或是它的售價落在買價與賣價的範圍以外，本基金則以目前的收盤買價與賣價的範圍評估該選擇權的價值，前提是基金相信這樣的定價方式可以反映該選擇權契約的市價。



## 外國證券的評價-美元價值的換算

本基金通常是以外國證券在其主要交易市場或是美西時間下午一點時確定其價值。該證券價值之後即以該證券評價日當天於美西時間下午一點的外匯交易價格來換算該證券的美元價值。如果沒有成交價的回報，該證券將以最近期的買價與賣價的範圍來定價。有時候，某些事件（例如匯出限制或外匯管制）可能會影響用來換算美元價值的外匯價格的有效性或可信度。當有此類事件發生時，外匯匯率的確認將以董事會認可的程序來評估其公平價值。

## 外國證券的評價-時差與市場假日的潛在衝擊

每日於外國證券上市或上櫃市場的交易（例如歐洲與亞洲）可能比本基金有交易的營業日的美西時間下午一點前更早完成。有時候，在外國證券市場收盤時間與美西時間下午一點之間發生的事件，可能導致基金所持有的外國證券之價值的有效性（包含其可信度）有問題。因此，基金可能容易受到所謂的“套利擇時交易”影響。某些基金投資人可能利用基金投資組合中外國證券於外國市場的收盤價與本基金計算淨值時該證券最新的價格之間的差異來牟利。如果上述的價格差異確實存在的話，這類投資人（通常稱為“套利擇時交易者”）的交易行為將會稀釋基金的股份價值。為了減少利用時差來套利的可能性，以及遵守基金董事會所制定並核可的作業程序，投資經理公司透過由獨立定價供應商提供的公允價值定價服務來監控價格走勢。

公允價值定價服務用於在計算本基金淨值時（美西時間下午一點）估算流動市場中的證券價格。如果符合某些條件，外國證券得以來自公允價值定價服務的價格來評價。使用公允定價的目的是為了使計算基金淨值時能夠準確反映基金投資組合的價值、減少發生基金股份的套利擇時交易的可能性、減輕上述套利擇時交易的衝擊，以求基金股東在申購、贖回與轉換交易的公允性。然而在某些狀況下，公允價值定價程序的使用也可能增強而非緩和基金股東交易潛在的衝擊。

此外，就一般狀況而言，基金投資組合中的外國證券或是在某些特定國家的證券市場交易的證券，可能不會在每一個本基金的營業日都有交易。而且，很多外國證券交易市場會在本基金的非營業日有證券交易，並且基金也不會在此日期計算淨值。因此，基金之淨值的計算不會在投資組合中許多外國證券價格已確認的時間同時進行。如果有影響該外國證券的最新確定價值的事件發生，該證券將使用基金經由董事會所建立與核可的公允價值定價程序，以誠信基礎來定價（即如上述）。

## 帳戶餘額不足

如果您的帳戶已開立一年以上且您的帳戶價值跌到美金五百元以下，我們將會郵寄通知，請您將帳戶金額回歸到規定的最低投資金額。若您 30 天內不予處理，我們將關掉您的帳戶並且收益將電匯至您的檔案留存之銀行帳戶裡。如果我們沒有您的帳戶資訊時，則會郵寄收益支票到登記的地址。若您的帳戶是因餘額不足而被關閉，您不會被要求付或有遞延銷售手續費。

以下狀況不適用於本規定：(1)透過國立證券清算公司網路系統建立的特定中介商控管帳戶；(2)經由C股或C1股轉換而來的A股或A1股帳戶，以及任何涉及轉換剩下的C股或C1股帳戶因為轉換造成餘額不足；(3)賦稅遞延退休計劃帳戶；(4)有效的自動投資計劃帳戶；(5)顧問費用方案帳戶；(6)帳戶透過529學院定期定額計畫所持有，及(7)Coverdell教育儲蓄帳戶及(8)透過機器人理財顧問驅動服務所目前維持的帳戶，其帳戶投資及重新配置是通過自動演算法驅動平台執行。

金融中介機構可能會對您的帳戶規定與上述不同的最低帳戶餘額。本基金對金融中介機構所規定的任何最低帳戶餘額不負責，也不負責將其任何變更通知股東。有關一些金融中介機構特定最低帳戶餘額的更多資訊，請參詳附錄A。若您對其政策有任何疑問，敬請諮詢您的金融中介機構。

## 贖回

一般而言，基金使用投資組合持有之現金以及約當現金或售出投資組合資產以應付所有贖回需求。在特殊情形或面臨市場壓力情況下，基金可能使用其他方式以應付贖回需求，例如在美國SEC豁免情況下得使用信用額度或基金間借貸方式。此外，請參閱“帳戶政策—非現金贖回”，了解有關贖回基金超過美金25萬元或基金淨資產價值1%金額（以較低者為準）的說明。

## 非現金贖回

如果投資人在任何連續90天期間內贖回基金超過美金25萬元（或若基金淨資產價值1%金額較低時），基金保留權利全部或部分以基金持股或其他資產作為款項支付。投資人一旦需處分所分配到的證券時，應預期會產生交易成本。此外，投資人將承擔持有證券至出售時的證券市場風險。

## 大股東贖回

有時，當某些大股東大量贖回本基金股份時，本基金可能會遭受不利影響。大量贖回可能會導致本基金在原本不打算賣的時間點賣出投資組合證券。此外，如果這些投資的賣出產生收益，這些交易也可能會加速實現股東的應稅收入，並且還可能增加交易成本和/或增加本基金的費用比率。當遭遇大股東贖回時，本基金可能會延遲支付贖回款項請求最多至7天，為投資經理公司爭取時間確定本基金是以非現金贖回，或是考慮其他替代方式以減輕對既有股東的傷害。然而，在某些情況下，本基金可能無法延遲贖回請求時，這可能引起大量贖回的自動化處理將有害於本基金及其既有股東的利益。

## 報告書、報表和公開說明書

您會收到季報告書，載明該季帳戶內的所有交易明細。影響您的帳戶的每個交易完成後，您

也會收到書面通知(但透過自動投資或提款方案的交易或配息則除外,因其交易會在季報告書中列明)。在影響您的帳戶的每個交易後,您將收到通知,請審視所有帳戶報告書和書面通知,假如有差異的地方,請立即通知我們。

您也將每隔六個月收到本基金的財務報告書,或是收到前揭財務報告書備供索取的通知。此外,您將收到每年更新的簡式公開說明書(視要求提供公開說明書)。為了降低本基金費用,我們會嘗試將同一戶的相關股東歸類於一戶,僅寄送一份財務報表(以郵寄方式接收)和簡式公開說明書。這項處理稱為“歸戶處理”,除非您另有其他指示,否則我們會持續照此歸戶方式處理。若您不希望以戶為單位寄送這些文件,敬請電洽(800)632-2301。在我們的網站裡,您可以隨時查閱目前的公開說明書/簡式公開說明書以及財務報告書。若您決定,您得以電子傳輸方式收取這些文件。

您得選擇透過電子傳輸方式收取您的對帳單、公開說明書和其他文件(請參閱“投資人服務—電話/網路權利”)。

## 投資代表帳戶的資料取得

如果您的帳戶裡有經銷公司或其他投資代表的紀錄,他們將可以取得您的帳戶資料,為您的帳戶執行交易,也會直接從本基金收到有關您帳戶的所有通知書,報告書及其他資料的副本。

## 轉讓或指定帳戶

您可以將基金股份從一家經銷公司之轉讓或指定帳戶裡轉換到另外一家經銷公司,只要此兩家經銷公司和富蘭克林承銷有限公司都有簽約。在我們收到您的證券經銷公司遞送來適當的授權書後,我們會做轉換處理。

## 聯名帳戶

除非您明確指定不同的註冊方式,否則若基金股份是售予兩位或多位所有人時,該帳戶會註冊為“生存者取得權聯名持有人共同持有”的聯名帳戶(在您的帳戶報告書會顯示“Jt Ten”)。若要對聯名持有股份做任何的所有權變更,或是切斷對聯合持有股份的聯合擁有期間,帳戶的所有持有人皆須以書面同意之。

## 聯名帳戶使用電話/網路權利之風險

當您開立帳戶,您就自動獲得電話/網路服務權利。如果您的帳戶是一位以上註冊所有人帳戶,電話/網路服務權利賦予本基金僅接受一位註冊之所有人為網路線上服務要求(包括股東文件的電子傳輸)以及線上或電話交易指示。這表示在您的帳戶的任一註冊所有人,無須任何其他任一註冊所有人同意之下,即可單獨透過電話,網路或書信(遵照電話或網路權利的任何限制)給予本基金指示去執行:

- 從所有註冊所有人須簽字的聯名註冊基金帳戶轉換股份到一個貨幣基金帳戶，卻僅須一位註冊所有人簽字即可贖回股份；
- 贖回基金股份以及指示贖回款項至可能屬於或不屬於您所有的銀行帳戶，或可能是您與其他共同聯名銀行帳戶，卻僅要求其中一人以支票或其他方式從銀行帳戶上取款；
- 從屬於您所有的銀行帳戶裡扣款購買基金股份的金額。

如果您不想要您的帳戶裡的其他註冊所有人能夠不經您的同意對本基金下達上述各種指示，您必須指示本基金拒絕/終止網路權利以及利用電話下達指令的能力，而上述各種指示即僅接受全部註冊所有人的書面簽字的方式。這項決定將適用於自聯名帳戶共同持有的基金股份轉換到任何其他基金。往後對於以電話以及/或是網路所下達上述各種指示的決定，必須得到本基金全部註冊所有人的書面簽字。

## 補充政策

請注意本基金維持下列的補充政策及保留某些權利，包括：

- 本基金可能限制或拒絕任何股份申購，包括在基金轉換權利下的申購。
- 一般而言，贖回的處理是在次一個營業日，只要贖回請求是以適當的形式以及正常的程序接收，但是如果立即付款動作會對本基金有負面的影響時或有其他延遲的原因(例如，如果您售出近期申購的股份，贖回款項可能會延遲至您的支票、匯票或電匯/電子轉帳已經完成)，可能需要至多7個營業日來處理。然而，在某些情況下，本基金可能沒有能力延遲贖回請求，或者可能沒有時間確定特定贖回是否會在贖回請求支付前對本基金產生不利的影響。
- 本基金可能隨時調整，暫停或中止電話/網路權利。
- 本基金可能利用60天通知函或是其他依法提供的方式，告知您本基金對於基金轉換權利所做的重大變更或是停止使用。
- 本基金可能在一段期間或永遠，停止出售股份，或是在有限的基礎上提供股份。
- 在特殊情形下，我們可能依照聯邦證券法規所允許的規定，暫時凍結贖回或是延緩款項的支付。
- 超過某特定金額之贖回，若是基金經理人認定與現行法規一致且合乎本基金的最佳利益時，本基金得，但不要求，不採現金做贖回款項的支付，而改以本基金所持有之證券或其他資產形式來做支付。基金經理人將自行決定是否針對特定贖回請求或贖回請求類型考慮以實物贖回。然而，在某些情況下，基金經理人可能無法在贖回請求支付前就決定是否以實物形式支付特定贖回。如果贖回請求是以實物贖回，投資人應預期當處分證券時收到的收益分配將有交易成本。
- 您只能購買合乎您所屬的州以及轄區的法令規定之基金股份〔包括基金轉換的轉入基金〕。
- 代銷公司應負責儘快傳輸所有下單資料給本基金，以讓投資人獲得目前的價格。
- 對於非退休帳戶，如果您收到以現金股利、資本利得或系統提款計劃以現金支付，並且至少連續三次支票至少保留六個月未兌現，本基金會保留您更改配息選擇方式，可改為

重新再投資或停止您的系統提款計劃。

## 代銷公司報酬

### A & C 股

凡是合格的代銷公司，銷售本基金時可以獲得銷售佣金以及其他報償。這些報酬是由富蘭克林承銷有限公司 (Franklin Distributors, LLC) 從股東申購或贖回所收取的銷售手續費，基金的配銷服務 (12b-1) 費用以及承銷公司其他財務來源中來做支付。針對透過代銷公司維持之經紀帳戶間接持有富蘭克林坦伯頓基金股份的投資人所提供之服務，代銷公司也可能收取股東服務費用，更多細節敘述請參照補充資料報告書“管理及其他服務”章節之“股東服務及股務代理”的說明。這些費用是由本基金的股務代理機構基於合約關係所收取之款項中支付。

透過雇主贊助退休金計畫以 A 股淨值購買時將不支付代銷公司報酬。

若任何申購相關的報酬已支付予代銷公司，但該申購於隨後遭拒絕、或是基於導致基金經理人或股務代理機構對申購者的判定，該申購可能與本基金“過度交易政策”所述及的交易活動有關而不利於本基金，因此須給予交易限制時，則代銷公司應該於本基金提出請求後退回該報酬給富蘭克林承銷有限公司。

	A 股	C 股
佣金 (百分比)	—	1.00 <sup>1</sup>
投資金額低於美金五萬元	5.00	—
美金五萬元但低於十萬元	4.00	—
美金十萬元但低於二十五萬元	3.00	—
美金二十五萬元但低於五十萬元	2.25	—
美金五十萬元但低於一百萬元	1.75	—
美金一百萬元或超過	不超過 1.00	—
給代銷公司的 12b-1 費用	0.25 <sup>2</sup>	1.00 <sup>3</sup>

1. 佣金包括第一年的 0.25% 12b-1 服務費之預付款。富蘭克林承銷有限公司可能會預付佣金。然而，富蘭克林承銷有限公司對於透過雇主贊助退休金計畫的任何申購並不會預付佣金。
2. 對於在富蘭克林承銷有限公司已預付佣金的情況下以基金淨值申購，代銷公司在購買後的第 13 個月就可以開始收到 12b-1 服務費。對於在富蘭克林承銷有限公司沒有預付佣金的情況下以基金淨值申購，代銷公司可能在購買日起就收到 12b-1 服務費。
3. 代銷公司從購買日起就得獲得不超過 0.25% 的報酬以及從第 13 個月得開始收到 1% 的酬佣。在前 12 個月期間，全額的 12b-1 服務費會支付給富蘭克林承銷有限公司，以便抵銷部分在購買日起所支付之佣金及預付服務費。對於在富蘭克林承銷有限公司沒有預付佣金的情況下以基金淨值申購，代銷公司可能在購買日起就開始收到 12b-1 服務費。約 8 年後，C 股將轉換為 A 股，且代銷公司能有資格獲得適用於 A 股的 12b-1 服務費。

### 透過金融中介機構申購某些股份(R6 股以及 Advisor 股)

購買 R6 股和 Advisor 股沒有相關的銷售費用或 12b-1 方案配銷服務費用。然而，根據美國證券交易管理委員會 (SEC) 的指導意見，某些代理客戶的金融中介機構可能直接向股東收取銷售

費用或有關購買這些股份的金融中介交易費用。這些手續費以及費用並未揭露在本公開說明書中。建議您諮詢您的理財顧問或瀏覽您的金融中介網站以獲取更多資訊。

本基金的服務提供者也得為 Advisor 股支付金融中介機構行銷支援以及其他相關服務，但不適用於 R6 股。這些款項可能會透過影響金融中介機構以及您的銷售人員推薦基金股份而造成利益衝突。對於金融中介機構自行承擔銷售費用或交易費用的 Advisor 股，是否可以提供或者收到行銷支援或其他類似款項存在一些不確定性。依據未來監管的發展情況，這類款項可能會被終止。

### 其他金融中介機構報酬

除了 R6 股外，富蘭克林承銷有限公司可以支付行銷支援款項（依據本基金之 12b-1 配銷計劃的條款，一部分款項得以歸還）給某些代銷公司以及其他金融中介機構，例如銀行、保險公司或計劃管理人員，在教育理財顧問或提供直接或間接可能促進富蘭克林坦伯頓共同基金投資的其他服務的努力。就任一中介機構的立場來說，每年度的行銷支援款項通常不超過歸屬於該中介機構所貢獻的富蘭克林坦伯頓共同基金總資產的 0.05%。對於富蘭克林坦伯頓共同基金總資產超過美金五百億的中介機構，富蘭克林承銷有限公司可能同意每年支付行銷支援款項最高限額至前揭總資產的 0.06%。在其他有限的情況下，富蘭克林承銷有限公司或分支機構將與金融中介機構達成替代協議，提供支付行銷支援款項超過 0.05% 的限制，其可能包括以基金的資產或銷售、合併相關基金的資產或銷售、或是其他標準為基礎的協議。有關非美國人於本基金之投資，支付予美國境外組織的行銷支援款項可能超過前述的比例。雇主贊助退休金計畫所代表持有任何資產，將排除適用於依據本段落說明有關行銷支援款項的計算，並依據以下段落說明支付予金融中介機構款項。您應該與您的金融中介機構聯繫以確定其可能從富蘭克林承銷有限公司或其分支機構所收取的任何補助金額。

除了 R6 股外，富蘭克林承銷有限公司以及/或是其分支機構也可以支付款項（依據本基金之 12b-1 配銷計劃的條款，一部分款項得以歸還）給某些金融中介機構，做為其試圖直接或間接在某些雇主贊助退休金計畫進行富蘭克林坦伯頓共同基金股份銷售活動協助之款項。就任一金融中介機構的立場來說，這類款項將不超過以年度為基礎的這類雇主贊助退休金計畫所直接或間接持有的富蘭克林坦伯頓共同基金總資產的 0.10%。

在核定支付款項時，某些因素將被納入考慮，包括：合格金融中介機構的銷售、資產及贖回率、金融中介機構所提供之任何服務的性質及品質，以及金融中介機構與富蘭克林承銷有限公司間關係的品質。富蘭克林承銷有限公司將每年確認繼續這些支付款項的適當性。這些支付款項可能附加於任何股東服務費用而由本基金的代理機構依據其與本基金的合約約定所收取的款項裡支付。

在美國證券交易管理委員會（SEC）與美國金融業監管局（FINRA）的規定以及其他適用的法律與條例許可範圍內，除了行銷支援款項，富蘭克林承銷有限公司可以給付或是允許其他的促銷獎勵或款項支付給金融中介機構，例如交易支援相關的款項、為了教育理財顧問及其客戶有關富蘭克林坦伯頓共同基金的各種金融中介贊助活動，以及數據分析和支援。

本基金股份與富蘭克林坦伯頓基金集團裡的其他共同基金股份之銷售，並不是將選擇金融中介機構以執行基金的投資組合交易納入考慮的因素。因此，對於經由金融中介機構執行投資組合交易的配置而銷售之基金股份，並非對這些金融中介機構支付行銷支援款項之考量因素。

關於富蘭克林承銷有限公司所支付的款項以及您的理財顧問所提供的服務，您可以在補充資料報告書裡找到進一步的細節資料。您的理財顧問可能向您收取不同於公開說明書裡所揭露的額外費用或佣金。您可以向您的理財顧問詢問關於任何獲自富蘭克林承銷有限公司的款項與其所提供的任何服務，以及關於其收取的費用與/或佣金。

## 問題

若您有任何關於基金本身或是您的帳戶狀況的問題，請來函寄到美國加州首府山克拉門都 (Sacramento) 郵政 997151 號信箱，CA95899-7151。您也可以依下表之號碼來電詢問。為了保障您的權益以及確保提供給您的服務品質，所有來電可能會被監控或錄音。

部門別	電話號碼
投資人服務	(800) 632-2301
基金訊息	(800) DIAL BEN (800) 342-5236
退休金計畫服務	(800) 527-2020
顧問諮詢服務	(800) 524-4040
聽力損傷協助	有關聽力損傷協助，請透過傳達服務與我們 聯繫。
自動電話系統	(800) 632-2301 (800) 524-4040 (800) 527-2020



## 附加資訊

有關本基金，您可以於下列文件知悉更多資訊：

### 致股東的年度/半年度財務報告

包括近期市場情況的討論、顯著影響上個財務年度期間基金績效的基金策略、財務報表、詳細的績效資料、投資明細表，以及僅揭露於年度財務報告的獨立註冊會計師事務所簽證英文報告。

### 補充資料報告書(SAI)

包含更多有關本基金的投資與政策資訊，得被合併參考(係本公開說明書合法上的一部分)。

免費索取現行的年度/半年度財務報告或是補充資料報告書，敬請洽詢您的投資代表或是撥打以下之號碼來電索取。您也可以透過網站：[franklintempleton.com](http://franklintempleton.com) 線上瀏覽現行的年度/半年度財務報告以及補充資料報告書。

### 公開說明書之附錄 A—金融中介機構銷售手續費折扣及免除

包含更多有關透過特定金融中介機構購買基金股份的股東的特定銷售手續費折扣及免除訊息。附錄 A 已併入本公開說明書供參閱(係本公開說明書合法上的一部分，詳細內容請參閱英文公開說明書)。

有關本基金的報告及其他資訊可於美國證券交易管理委員會官網的 EDGAR 資料庫網址：<http://www.sec.gov> 獲取，以及寄電子郵件到 [publicinfo@sec.gov](mailto:publicinfo@sec.gov) 索取，在支付文件複製費用後即可獲取這些基金資訊的副本。

One Franklin Parkway, San Mateo, CA 94403-1906

(800) DAIL BEN (800) 342-5236

[franklintempleton.com](http://franklintempleton.com)

有關聽力損傷協助，請透過傳達服務與我們聯繫。

## ● 風險聲明

- 各基金經金融監督管理委員會核准或同意生效，惟不表示本基金絕無風險。境外基金管理機構以往之績效不保證基金之最低收益。
- 境外基金係以外幣計價，投資人須承擔取得收益分配或買回價金時轉換回新臺幣可能產生之匯率風險。若轉換當時之新臺幣兌換外幣匯率相較於原始投資日之匯率升值時，投資人將承受匯兌損失。
- 基金配息率不代表基金報酬率，且過去配息率不代表未來配息率；基金淨值可能因市場因素而上下波動，投資人於獲配息時，宜一併注意基金淨值之變動。基金的配息可能由基金的收益或本金中支付。任何涉及由本金支出的部份，可能導致原始投資金額減損。由本金支付配息之相關資料已揭露於本公司網站，投資人可至本公司網站(<http://www.Franklin.com.tw>)查閱。
- 基金持有新興市場之投資標的者，其主要投資風險除包含一般股票型基金之投資組合跌價與匯率風險外，與成熟市場相比須承受較高之政治與金融管理風險，而因市值及制度性因素，流動性風險也相對較高，新興市場投資組合波動性普遍高於成熟市場。基金投資均涉及風險且不負任何抵抗投資虧損之擔保。基金並非完全投資於大陸地區之有價證券，依規定，基金投資大陸地區證券市場之有價證券不得超過基金淨資產價值之10%，投資香港地區紅籌股及H股無限制，投資人須留意中國市場特定政治、經濟與市場之投資風險。投資風險之詳細資料請參閱基金公開說明書。
- 基金經理公司以往之經理績效，並不代表未來之基金投資收益。投資管理服務與多項投資工具相關，其價值均會波動，管理的投資組合價值亦可能有上下起伏，故無法保證投資可以保本。不同投資工具的投資風險並不相同，若投資為受匯兌影響者，相較於其它特定投資組合，匯率的變動將會影響其價值，結果必然影響到基金淨值的漲跌。若為波動性較高的基金，當基金淨值突然大幅滑落時，則變現或贖回所發生的虧損有可能很高(包含投資的所有損失)。
- 投資基金所應承擔之相關風險及應負擔之費用(含分銷費用)已揭露於基金公開說明書及投資人須知中，投資人可至境外基金資訊觀測站([www.fundclear.com.tw](http://www.fundclear.com.tw))下載，或逕向本公司網站([www.Franklin.com.tw](http://www.Franklin.com.tw))查閱。
- \*重新投資之優惠之規定並不適用台灣。在台辦理境外基金銷售業務，銷售手續費用之收取方式及費率係依銷售機構所訂為準。有關本境外基金在台銷售股份及投資人應負擔費用之項目及其計算方式，投資人得參閱本基金投資人須知之基金專屬資訊「陸、投資人應負擔費用之項目及其計算方式」。
- 本公司所提供之資料及訊息，僅供此訊息接收人之參考用途。本公司當盡力提供正確之資訊，所載資料均來自或本諸我們相信可靠之來源，但對其完整性、即時性和正確性不做任何擔保，如有錯漏或疏忽，本公司或關係企業與其任何董事或受僱人，並不負任何法律責任。基金過去的績效不代表未來的表現，基金價格可能上揚或下跌。投資共同基金有投資風險(包括但不限於價格、匯率、政治之風險)，亦可能發生本金之損失。任何人因信賴此等資料而做出或改變投資決策，須自行承擔結果。

富蘭克林證券投資顧問股份有限公司

電話：(02) 2781-0088 傳真：(02) 2781-7788 台北市忠孝東路四段 87 號 8 樓

富蘭克林基金專線：0800-885-888 富蘭克林基金理財網：<http://www.Franklin.com.tw>

主管機關核准之營業執照字號：101 年金管投顧新字第 025 號

【富蘭克林證券投顧獨立經營管理】

# FRANKLIN GOLD AND PRECIOUS METALS FUND

December 1, 2021


**FRANKLIN  
TEMPLETON**

Class A	Class C	Class R6	Advisor Class
FKRCX	FRGOX	FGPMX	FGADX

This Statement of Additional Information (SAI) is not a prospectus. It contains information in addition to the information in the Funds' (hereafter "the Fund") prospectus. The Fund's prospectus, dated December 1, 2021, which we may amend from time to time, contains the basic information you should know before investing in the Fund. You should read this SAI together with the Fund's prospectus.

The audited financial statements and Report of Independent Registered Public Accounting Firm in the Fund's Annual Report to shareholders, for the fiscal year ended July 31, 2021, are incorporated by reference (are legally a part of this SAI).

For a free copy of the current prospectus or annual report, contact your investment representative or call (800) DIAL BEN/342-5236.

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### Mutual funds, annuities, and other investment products:

- are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government;
- are not deposits or obligations of, or guaranteed or endorsed by, any bank; and
- are subject to investment risks, including the possible loss of principal.

## Goals, Strategies and Risks

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The following information provided with respect to the Fund is in addition to that included in the Fund's prospectus.

In addition to the main types of investments and strategies undertaken by the Fund as described in the prospectus, the Fund also may invest in other types of instruments and engage in and pursue other investment strategies, which are described in this SAI. Investments and investment strategies with respect to the Fund are discussed in greater detail in the section below entitled "*Glossary of Investments, Techniques, Strategies and Their Risks.*"

Generally, the policies and restrictions discussed in this SAI and in the prospectus apply when the Fund makes an investment. In most cases, the Fund is not required to sell an investment because circumstances change and the investment no longer meets one or more of the Fund's policies or restrictions. If a percentage restriction or limitation is met at the time of investment, a later increase or decrease in the percentage due to a change in the value of portfolio investments will not be considered a violation of the restriction or limitation, with the exception of the Fund's limitations on borrowing as described herein or unless otherwise noted herein.

Incidental to the Fund's other investment activities, including in connection with a bankruptcy, restructuring, workout, or other extraordinary events concerning a particular investment the Fund owns, the Fund may receive securities (including convertible securities, warrants and rights), real estate or other investments that the Fund normally would not, or could not, buy. If this happens, the Fund may, although it is not required to, sell such investments as soon as practicable while seeking to maximize the return to shareholders.

The Fund has adopted certain investment restrictions as fundamental and non-fundamental policies. A fundamental policy may only be changed if the change is approved by (i) more than 50% of the Fund's outstanding shares or (ii) 67% or more of the Fund's shares present at a shareholder meeting if more than 50% of the Fund's outstanding shares are represented at the meeting in person or by proxy, whichever is less. A non-fundamental policy may be changed without the approval of shareholders.

For more information about the restrictions of the Investment Company Act of 1940 (1940 Act) on the Fund with respect to borrowing and senior securities, see "*Glossary of Investments, Techniques, Strategies and Their Risks - Borrowing*" below.

### *Fundamental Investment Policies*

The Fund's principal investment goal is capital appreciation. Its secondary goal is to provide shareholders with current

income through dividends or interest received from its investments

The Fund may not:

1. Borrow money, except to the extent permitted by the 1940 Act, or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the U.S. Securities and Exchange Commission (SEC).
2. Act as an underwriter, except to the extent the Fund may be deemed to be an underwriter when disposing of securities it owns or when selling its own shares.
3. Make loans if, as a result, more than 33 1/3% of its total assets would be lent to other persons, including other investment companies to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC. This limitation does not apply to (i) the lending of portfolio securities, (ii) the purchase of debt securities, other debt instruments, loan participations and/or engaging in direct corporate loans in accordance with its investment goals and policies, and (iii) repurchase agreements to the extent the entry into a repurchase agreement is deemed to be a loan.
4. Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Fund from (i) purchasing or selling securities or instruments secured by real estate or interests therein, securities or instruments representing interests in real estate or securities or instruments of issuers that invest, deal or otherwise engage in transactions in real estate or interests therein, and (ii) making, purchasing or selling real estate mortgage loans.
5. Purchase or sell physical commodities, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Fund from (i) engaging in transactions involving currencies and futures contracts and options thereon or (ii) investing in securities or other instruments that are secured by physical commodities or (iii) investing in gold bullion and foreign currency in the form of gold coins.
6. Issue senior securities, except to the extent permitted by the 1940 Act or any rules, exemptions or interpretations thereunder that may be adopted, granted or issued by the SEC.
7. Invest more than 25% of the Fund's net assets in securities of issuers in any one industry (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities or securities of other investment companies), except that, under normal market conditions, the Fund will invest more than 25% of its net assets in the securities issued by companies engaged in the mining, processing or dealing in gold or other precious metals.

### *Non-Fundamental Investment Policies*

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of gold and precious metals operation companies. Gold and precious metals operation companies include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum, and palladium, including mining finance and exploration companies as well as operating companies with long or medium-life mines. Shareholders will be given at least 60 days advance written notice of any change to this 80% policy. Net assets for this 80% policy include the amount of borrowings for investment purposes.

The Fund may not:

1. Invest in real estate limited partnerships or in interests, other than publicly traded equity securities, in oil, gas, or other mineral leases, exploration, or development. Investments in marketable securities issued by real estate investment trusts are not subject to this restriction.
2. Invest more than 5% of its net assets in warrants, other than those acquired by the Fund as a part of a unit, valued at the lower of cost or market, including not more than 2% that are not listed on the New York or American Stock Exchange.
3. Invest in commodities or commodity contracts, except that the Fund may invest in options and futures and up to 5% of its total assets in options and futures for non-hedging purposes.

The Fund will not acquire shares of other affiliated or unaffiliated open-end funds, ETFs, or unit investment trusts in reliance on paragraph (F) or (G) of Section 12(d)(1) of the 1940 Act.

The Fund also may be subject to investment limitations imposed by foreign jurisdictions in which the Fund sells its shares.

### **Glossary of Investments, Techniques, Strategies and Their Risks**

Certain words or phrases may be used in descriptions of Fund investment policies and strategies to give investors a general sense of the Fund's levels of investment. They are broadly identified with, but not limited to, the following percentages of Fund total assets:

"small portion"	less than 10%
"portion"	10% to 25%
"significant"	25% to 50%
"substantial"	50% to 66%
"primary"	66% to 80%
"predominant"	80% or more

If the Fund intends to limit particular investments or strategies to no more than specific percentages of Fund assets, the prospectus or SAI will clearly identify such limitations. The percentages above are not limitations unless specifically

stated as such in the Fund's prospectus or elsewhere in this SAI.

The Fund may invest in securities that are rated by various rating agencies such as Moody's Investors Service (Moody's) and S&P® Global Ratings (S&P®), as well as securities that are unrated.

The value of your shares in the Fund will increase as the value of the investments owned by the Fund increases and will decrease as the value of the Fund's investments decreases. In this way, you participate in any change in the value of the investments owned by the Fund. In addition to the factors that affect the value of any particular investment that the Fund owns, the value of the Fund's shares may also change with movement in the investment markets as a whole.

The following is a description of various types of securities, instruments and techniques that may be purchased and/or used by the Fund:

**Bank obligations** Bank obligations include fixed, floating or variable rate certificates of deposit (CDs), letters of credit, time and savings deposits, bank notes and bankers' acceptances. CDs are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Time deposits are non-negotiable deposits that are held in a banking institution for a specified period of time at a stated interest rate. Savings deposits are deposits that do not have a specified maturity and may be withdrawn by the depositor at any time. Bankers' acceptances are negotiable drafts or bills of exchange normally drawn by an importer or exporter to pay for specific merchandise. When a bank "accepts" a bankers' acceptance, the bank, in effect, unconditionally agrees to pay the face value of the instrument upon maturity. The full amount of the Fund's investment in time and savings deposits or CDs may not be guaranteed against losses resulting from the default of the commercial or savings bank or other institution insured by the Federal Deposit Insurance Corporation (FDIC).

Bank obligations are exempt from registration with the SEC if issued by U.S. banks or foreign branches of U.S. banks. As a result, the Fund will not receive the same investor protections when investing in bank obligations as opposed to registered securities. Bank notes and other unsecured bank obligations are not guaranteed by the FDIC, so the Fund will be exposed to the credit risk of the bank or institution. In the event of liquidation, bank notes and unsecured bank obligations generally rank behind time deposits, savings deposits and CDs, resulting in a greater potential for losses to the Fund.

The Fund's investments in bank obligations may be negatively impacted if adverse economic conditions prevail in the banking industry (such as substantial losses on loans, increases in non-performing assets and charge-offs and declines in total deposits). The activities of U.S. banks and most foreign banks are subject to comprehensive regulations

which, in the case of U.S. regulations, have undergone substantial changes in the past decade. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, may affect the manner of operations and profitability of domestic and foreign banks. Significant developments in the U.S. banking industry have included increased competition from other types of financial institutions, increased acquisition activity and geographic expansion. Banks may be particularly susceptible to certain economic factors, such as interest rate changes and adverse developments in the market for real estate. Fiscal and monetary policy and general economic cycles can affect the availability and cost of funds, loan demand and asset quality and thereby impact the earnings and financial conditions of banks.

**Borrowing** The 1940 Act and the SEC's current rules, exemptions and interpretations thereunder, permit the Fund to borrow up to one-third of the value of its total assets (including the amount borrowed, but less all liabilities and indebtedness not represented by senior securities) from banks. The Fund is required to maintain continuous asset coverage of at least 300% with respect to such borrowings and to reduce the amount of its borrowings (within three days excluding Sundays and holidays) to restore such coverage if it should decline to less than 300% due to market fluctuations or otherwise. In the event that the Fund is required to reduce its borrowings, it may have to sell portfolio holdings, even if such sale of the Fund's holdings would be disadvantageous from an investment standpoint.

If the Fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage. Leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of portfolio securities on the Fund's net asset value, and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income or gains received from the securities purchased with borrowed funds.

In addition to borrowings that are subject to 300% asset coverage and are considered by the SEC to be permitted "senior securities," the Fund is also permitted under the 1940 Act to borrow for temporary purposes in an amount not exceeding 5% of the value of its total assets at the time when the loan is made. A loan will be presumed to be for temporary purposes if it is repaid within 60 days and is not extended or renewed.

*Segregation of assets.* Consistent with SEC staff guidance, financial instruments that involve the Fund's obligation to make future payments to third parties will not be viewed as creating any senior security provided that the Fund covers its obligations as described below. Those financial instruments can include, among others, (i) securities purchased or sold on

a when-issued, delayed delivery, or to be announced basis, (ii) futures contracts, (iii) forward currency contracts, (iv) swaps, (v) written options, (vi) unfunded commitments, (vii) securities sold short, and (viii) reverse repurchase agreements.

Consistent with SEC staff guidance, the Fund will consider its obligations involving such a financial instrument as "covered" when the Fund (1) maintains an offsetting financial position, or (2) segregates liquid assets (constituting cash, cash equivalents or other liquid portfolio securities) equal to the Fund's exposures relating to the financial instrument, as determined on a daily basis. Dedicated Fund compliance policies and procedures, which the Fund's board has approved, govern the kinds of transactions that can be deemed to be offsetting positions for purposes of (1) above, and the amounts of assets that need to be segregated for purposes of (2) above (Asset Segregation Policies).

The Fund's Asset Segregation Policies may require the Fund to sell a portfolio security or exit a transaction, including a transaction in a financial instrument, at a disadvantageous time or price in order for the Fund to be able to segregate the required amount of assets. If segregated assets decline in value, the Fund will need to segregate additional assets or reduce its position in the financial instruments. In addition, segregated assets may not be available to satisfy redemptions or for other purposes, until the Fund's obligations under the financial instruments have been satisfied. In addition, the Fund's ability to use the financial instruments identified above may under some circumstances depend on the nature of the instrument and amount of assets that the Asset Segregation Policies require the Fund to segregate.

**Convertible securities** A convertible security is generally a debt obligation, preferred stock or other security that may be converted within a specified period of time into a certain amount of common stock of the same or of a different issuer. The conversion may occur at the option of the investor in or issuer of the security, or upon a predetermined event. A convertible security typically provides a fixed-income stream and the opportunity, through its conversion feature, to participate in the capital appreciation resulting from a market price advance in its underlying common stock. As with a straight fixed-income security, a convertible security tends to increase in market value when interest rates decline and decrease in value when interest rates rise. Like a common stock, the value of a convertible security also tends to increase as the market value of the underlying stock rises, and it tends to decrease as the market value of the underlying stock declines. Because both interest rate and market movements can influence its value, a convertible security is usually not as sensitive to interest rate changes as a similar fixed-income security, nor is it as sensitive to changes in share price as its underlying stock. Convertible securities are also subject to risks that affect debt securities in general.

Although less than an investment in the underlying stock, the potential for gain on an investment in a convertible security is greater than for similar non-convertible securities. As a result, a lower yield is generally offered on convertible securities than on otherwise equivalent non-convertible securities. There is no guarantee that the Fund will realize gains on a convertible security in excess of the foregone yield it accepts to invest in such convertible security.

A convertible security is usually issued either by an operating company or by an investment bank. When issued by an operating company, a convertible security tends to be senior to the company's common stock, but may be subordinate to other types of fixed-income securities issued by that company. When a convertible security issued by an operating company is "converted," the operating company often issues new stock to the holder of the convertible security. However, if the convertible security is redeemable and the parity price of the convertible security is less than the call price, the operating company may pay out cash instead of common stock.

If the convertible security is issued by an investment bank or other sponsor, the security is an obligation of and is convertible through, the issuing investment bank. However, the common stock received upon conversion is of a company other than the investment bank or sponsor. The issuer of a convertible security may be important in determining the security's true value. This is because the holder of a convertible security will have recourse only to the issuer.

**Debt securities - general description** In general, a debt security represents a loan of money to the issuer by the purchaser of the security. A debt security typically has a fixed payment schedule that obligates the issuer to pay interest to the lender and to return the lender's money over a certain time period. A company typically meets its payment obligations associated with its outstanding debt securities before it declares and pays any dividend to holders of its equity securities. Bonds, notes and commercial paper are examples of debt securities and differ in the length of the issuer's principal repayment schedule, with bonds carrying the longest repayment schedule and commercial paper the shortest:

*Bonds.* A bond is a debt security in which investors lend money to an entity that borrows for a defined period of time, usually a period of more than five years, at a specified interest rate.

*Commercial paper.* Commercial paper is an unsecured, short-term loan to a corporation, typically for financing accounts receivable and inventory with maturities of up to 270 days.

*Debentures.* A debenture is an unsecured debt security backed only by the creditworthiness of the borrower, not by collateral.

*Bills.* A bill is a short-term debt instrument, usually with a maturity of two years or less.

*Notes.* A note is a debt security usually with a maturity of up to ten years.

For purposes of the discussion in this SAI of the risks of investing in debt securities generally, loans or other short-term instruments, which otherwise may not technically be considered securities, are included.

Debt securities are all generally subject to interest rate, credit, income and prepayment risks and, like all investments, are subject to liquidity and market risks to varying degrees depending upon the specific terms and type of security. The Fund's investment manager attempts to reduce credit and market risk through diversification of the Fund's portfolio and ongoing credit analysis of each issuer, as well as by monitoring economic developments, but there can be no assurance that it will be successful at doing so.

**Depository receipts** Many securities of foreign issuers are represented by American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), and European Depositary Receipts (EDRs) (collectively, depository receipts). Generally, depository receipts in registered form are designed for use in the U.S. securities market and depository receipts in bearer form are designed for use in securities markets outside the U.S.

ADRs evidence ownership of, and represent the right to receive, securities of foreign issuers deposited in a domestic bank or trust company or a foreign correspondent bank. Prices of ADRs are quoted in U.S. dollars, and ADRs are traded in the U.S. on exchanges or over-the-counter. While ADRs do not eliminate all the risks associated with foreign investments, by investing in ADRs rather than directly in the stock of foreign issuers, the Fund will avoid currency and certain foreign market trading risks during the settlement period for either purchases or sales. In general, there is a large, liquid market in the U.S. for ADRs quoted on a national securities exchange. The information available for ADRs is subject to the accounting, auditing and financial reporting standards of the U.S. market or exchange on which they are traded, which standards are generally more uniform and more exacting than those to which many foreign issuers may be subject.

EDRs and GDRs are typically issued by foreign banks or trust companies and evidence ownership of underlying securities issued by either a foreign or a U.S. corporation. EDRs and GDRs may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. The underlying shares are held in trust by a custodian bank or similar financial institution in the issuer's home country. If the issuer's home country does not have developed financial markets, the Fund could be exposed to the credit risk of the custodian or financial institution and



greater market risk. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest, and processing corporate actions. The Fund would be expected to pay a share of the additional fees, which it would not pay if investing directly in the foreign securities. The Fund may experience delays in receiving its dividend and interest payments or exercising rights as a shareholder.

Depository receipts may reduce some but not eliminate all the risks inherent in investing in the securities of foreign issuers. Depository receipts are still subject to the political and economic risks of the underlying issuer's country and are still subject to foreign currency exchange risk. Depository receipts will be issued under sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities traded in the form of depository receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information about an issuer that has participated in the creation of a sponsored program. There may be an increased possibility of untimely responses to certain corporate actions of the issuer, such as stock splits and rights offerings, in an unsponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between this information and the market value of the depository receipts. If the Fund's investment depends on obligations being met by the arranger as well as the issuer of an unsponsored program, the Fund will be exposed to additional credit risk.

**Equity securities** Equity securities represent a proportionate share of the ownership of a company; their value is based on the success of the company's business and the value of its assets, as well as general market conditions. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares. Equity securities generally take the form of common stock or preferred stock, as well as securities convertible into common stock. Preferred stockholders typically receive greater dividends but may receive less appreciation than common stockholders and may have different voting rights as well. Equity securities may also include convertible securities, warrants, rights or equity interests in trusts, partnerships, joint ventures or similar enterprises. Warrants or rights give the holder the right to buy a common stock at a given time for a specified price.

Tracking stocks are also a type of equity security. A tracking stock is a separate class of common stock whose value is linked to a specific business unit or operating division within a larger company and is designed to "track" the financial performance of that unit or division, rather than the larger company as a whole. As a result, if the unit or division does not perform well, the value of the tracking stock may decrease, even if the larger parent company performs well. A tracking stock may pay dividends to shareholders independent of the parent company, which will depend on the performance of the unit or division that the stock tracks. Shareholders of a tracking stock have a financial interest only in that unit or division of the company and typically do not have a legal claim on the larger company's assets.

*Small and mid capitalization companies.* Market capitalization is defined as the total market value of a company's outstanding stock. Small capitalization companies are often overlooked by investors or undervalued in relation to their earnings power. Because small capitalization companies generally are not as well known to the investing public, and may have less of an investor following and may grow more rapidly than larger capitalization companies, they may provide greater opportunities for long-term capital growth. These companies may be undervalued because they are part of an industry that is out of favor with investors, although the individual companies may have high rates of earnings growth and be financially sound. Mid capitalization companies may offer greater potential for capital appreciation than larger capitalization companies, because mid capitalization companies are often growing more rapidly than larger capitalization companies, but tend to be more stable and established than small capitalization or emerging companies.

To the extent that the Fund may invest in small capitalization companies, it may have significant investments in relatively new or unseasoned companies that are in their early stages of development, or in new and emerging industries where the opportunity for rapid growth is expected to be above average. Securities of unseasoned companies present greater risks than securities of larger, more established companies.

*Exclusion of investment manager from commodity pool operator definition.* With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, with respect to the Fund, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.

The terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in "commodity interests." Commodity interests include commodity futures, commodity options and swaps, which in

turn include non-deliverable currency forward contracts, as further described below. Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may, in the future, need to adjust its investment strategies, consistent with its investment goal, to limit its investments in these types of instruments. The Fund is not intended as a vehicle for trading in the commodity futures, commodity options or swaps markets. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this SAI.

Generally, the exclusion from CPO regulation on which the investment manager relies requires the Fund to meet one of the following tests for its commodity interest positions, other than positions entered into for bona fide hedging purposes (as defined in the rules of the CFTC): either (1) the aggregate initial margin and premiums required to establish the Fund's positions in commodity interests may not exceed 5% of the liquidation value of the Fund's portfolio (after taking into account unrealized profits and unrealized losses on any such positions); or (2) the aggregate net notional value of the Fund's commodity interest positions, determined at the time the most recent such position was established, may not exceed 100% of the liquidation value of the Fund's portfolio (after taking into account unrealized profits and unrealized losses on any such positions). In addition to meeting one of these trading limitations, the Fund may not be marketed as a commodity pool or otherwise as a vehicle for trading in the commodity futures, commodity options or swaps markets. If, in the future, the Fund can no longer satisfy these requirements, the investment manager would withdraw its notice claiming an exclusion from the definition of a CPO, and the investment manager would be subject to registration and regulation as a CPO with respect to the Fund, in accordance with CFTC rules that apply to CPOs of registered investment companies. Generally, these rules allow for substituted compliance with CFTC disclosure and shareholder reporting requirements, based on the investment manager's compliance with comparable SEC requirements. However, as a result of CFTC regulation with respect to the Fund, the Fund may incur additional compliance and other expenses.

**Foreign securities** For purposes of the Fund's prospectus and SAI, "foreign securities" refers to non-U.S. securities. There are substantial risks associated with investing in the securities of governments and companies located in, or having substantial operations in, foreign countries, which are in addition to the usual risks inherent in domestic investments. The value of foreign securities (like U.S. securities) is affected by general economic conditions and individual issuer and industry earnings prospects. Investments in depositary receipts also involve some or all of the risks described below.

There is the possibility of cessation of trading on foreign exchanges, expropriation, nationalization of assets, confiscatory or punitive taxation, withholding and other foreign

taxes on income (including capital gains or other amounts), taxation on a retroactive basis, sudden or unanticipated changes in foreign tax laws, financial transaction taxes, denial or delay of the realization of tax treaty benefits, payment of foreign taxes not available for credit or deduction when passed through to shareholders, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), restrictions on removal of assets, political or social instability, military action or unrest, or diplomatic developments, including sanctions imposed by other countries or governmental entities, that could affect investments in securities of issuers in foreign nations. There is no assurance that the investment manager will be able to anticipate these potential events. In addition, the value of securities denominated in foreign currencies and of dividends and interest paid with respect to such securities will fluctuate based on the relative strength of the U.S. dollar.

There may be less publicly available information about foreign issuers comparable to the reports and ratings published about issuers in the U.S. Foreign issuers generally are not subject to uniform accounting or financial reporting standards. Auditing practices and requirements may not be comparable to those applicable to U.S. issuers. Certain countries' legal institutions, financial markets and services are less developed than those in the U.S. or other major economies. The Fund may have greater difficulty voting proxies, exercising shareholder rights, securing dividends and obtaining information regarding corporate actions on a timely basis, pursuing legal remedies, and obtaining judgments with respect to foreign investments in foreign courts than with respect to domestic issuers in U.S. courts. The costs associated with foreign investments, including withholding taxes, brokerage commissions, and custodial costs, are generally higher than with U.S. investments.

Certain countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company. Some countries limit the investment of foreign persons to only a specific class of securities of an issuer that may have less advantageous terms than securities of the issuer available for purchase by nationals. Although securities subject to such restrictions may be marketable abroad, they may be less liquid than foreign securities of the same class that are not subject to such restrictions. In some countries the repatriation of investment income, capital and proceeds of sales by foreign investors may require governmental registration and/or approval. The Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for repatriation.

From time to time, trading in a foreign market may be interrupted. Foreign markets also have substantially less volume than the U.S. markets and securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. The Fund, therefore, may encounter

difficulty in obtaining market quotations for purposes of valuing its portfolio and calculating its net asset value.

In many foreign countries there is less government supervision and regulation of stock exchanges, brokers, and listed companies than in the U.S., which may result in greater potential for fraud or market manipulation. Foreign over-the-counter markets tend to be less regulated than foreign stock exchange markets and, in certain countries, may be totally unregulated. Brokerage commission rates in foreign countries, which generally are fixed rather than subject to negotiation as in the U.S., are likely to be higher. Foreign security trading, settlement and custodial practices (including those involving securities settlement where assets may be released prior to receipt of payment) are often less developed than those in U.S. markets, may be cumbersome and may result in increased risk or substantial delays. This could occur in the event of a failed trade or the insolvency of, or breach of duty by, a foreign broker-dealer, securities depository, or foreign subcustodian.

To the extent that the Fund invests a significant portion of its assets in a specific geographic region or country, the Fund will have more exposure to economic risks related to such region or country than a fund whose investments are more geographically diversified. Adverse conditions or changes in policies in a certain region or country can affect securities of other countries whose economies appear to be unrelated but are otherwise connected. In the event of economic or political turmoil, a deterioration of diplomatic relations or a natural or man-made disaster in a region or country where a substantial portion of the Fund's assets are invested, the Fund may have difficulty meeting a large number of shareholder redemption requests.

On January 31, 2020, the United Kingdom (UK) left the European Union (EU). There is considerable uncertainty about the consequences of that departure, including uncertainty about the economic effects and results of trade negotiations between the UK and the EU. The negative impact of the UK's departure on, not only the UK and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues.

The holding of foreign securities may be limited by the Fund to avoid investment in certain Passive Foreign Investment Companies (PFICs) and the imposition of a PFIC tax on the Fund resulting from such investments.

*Developing markets or emerging markets.* The developing or emerging market countries in which the Fund may invest include those countries considered to be developing or emerging by the International Monetary Fund, the World Bank, the United Nations, or the countries' authorities, or

countries with a stock market capitalization of less than 3% of the MSCI World Index.

Investments in issuers domiciled or with significant operations in developing market or emerging market countries may be subject to potentially higher risks than investments in developed countries. These risks include, among others (i) less social, political and economic stability; (ii) smaller securities markets with low or nonexistent trading volume, which result in greater illiquidity and greater price volatility; (iii) certain national policies which may restrict the Fund's investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests; (iv) foreign taxation, including less transparent and established taxation policies; (v) less developed regulatory or legal structures governing private or foreign investment or allowing for judicial redress for injury to private property; (vi) the absence, until recently in many developing market countries, of a capital market structure or market-oriented economy; (vii) more widespread corruption and fraud; (viii) the financial institutions with which the Fund may trade may not possess the same degree of financial sophistication, creditworthiness or resources as those in developed markets; and (ix) the possibility that when favorable economic developments occur in some developing market countries, such developments may be slowed or reversed by unanticipated economic, political or social events in such countries.

Due to political, military or regional conflicts or due to terrorism or war, it is possible that the United States, other nations or other governmental entities (including supranational entities) could impose sanctions on a country involved in such conflicts that limit or restrict foreign investment, the movement of assets or other economic activity in that country. Such sanctions or other intergovernmental actions could result in the devaluation of a country's currency, a downgrade in the credit ratings of issuers in such country, or a decline in the value and liquidity of securities of issuers in that country. In addition, an imposition of sanctions upon certain issuers in a country could result in an immediate freeze of that issuer's securities, impairing the ability of the Fund to buy, sell, receive or deliver those securities. Countermeasures could be taken by the country's government, which could involve the seizure of the Fund's assets. In addition, such actions could adversely affect a country's economy, possibly forcing the economy into a recession.

In addition, many developing market countries have experienced substantial, and during some periods, extremely high rates of inflation, for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain countries. Moreover, the economies of some developing market countries may differ unfavorably from the U.S. economy in such respects as growth of gross

domestic product, rate of inflation, currency depreciation, debt burden, capital reinvestment, resource self-sufficiency and balance of payments position. The economies of some developing market countries may be based on only a few industries, and may be highly vulnerable to changes in local or global trade conditions.

Settlement systems in developing market countries may be less organized than in developed countries. Supervisory authorities may also be unable to apply standards which are comparable with those in more developed countries. There may be risks that settlement may be delayed and that cash or securities belonging to the Fund may be in jeopardy because of failures of or defects in the settlement systems. Market practice may require that payment be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank (counterparty) through whom the relevant transaction is effected might result in a loss being suffered by the Fund. The Fund seeks, where possible, to use counterparties whose financial status reduces this risk. However, there can be no certainty that the Fund will be successful in eliminating or reducing this risk, particularly as counterparties operating in developing market countries frequently lack the substance, capitalization and/or financial resources of those in developed countries. Uncertainties in the operation of settlement systems in individual markets may increase the risk of competing claims to securities held by or to be transferred to the Fund. Legal compensation schemes may be non-existent, limited or inadequate to meet the Fund's claims in any of these events.

Securities trading in developing markets presents additional credit and financial risks. The Fund may have limited access to, or there may be a limited number of, potential counterparties that trade in the securities of developing market issuers. Governmental regulations may restrict potential counterparties to certain financial institutions located or operating in the particular developing market. Potential counterparties may not possess, adopt or implement creditworthiness standards, financial reporting standards or legal and contractual protections similar to those in developed markets. Currency and other hedging techniques may not be available or may be limited.

The local taxation of income and capital gains accruing to non-residents varies among developing market countries and may be comparatively high. Developing market countries typically have less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the Fund could in the future become subject to local tax liabilities that had not been anticipated in conducting its investment activities or valuing its assets.

Many developing market countries suffer from uncertainty and corruption in their legal frameworks. Legislation may be difficult to interpret and laws may be too new to provide any

precedential value. Laws regarding foreign investment and private property may be weak or non-existent. Investments in developing market countries may involve risks of nationalization, expropriation and confiscatory taxation. For example, the Communist governments of a number of Eastern European countries expropriated large amounts of private property in the past, in many cases without adequate compensation, and there can be no assurance that similar expropriation will not occur in the future. In the event of expropriation, the Fund could lose all or a substantial portion of any investments it has made in the affected countries. Accounting, auditing and reporting standards in certain countries in which the Fund may invest may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. In addition, it is possible that purported securities in which the Fund invested may subsequently be found to be fraudulent and as a consequence the Fund could suffer losses.

Finally, currencies of developing market countries are subject to significantly greater risks than currencies of developed countries. Some developing market currencies may not be internationally traded or may be subject to strict controls by local governments, resulting in undervalued or overvalued currencies and associated difficulties with the valuation of assets, including the Fund's securities, denominated in that currency. Some developing market countries have experienced balance of payment deficits and shortages in foreign exchange reserves. Governments have responded by restricting currency conversions. Future restrictive exchange controls could prevent or restrict a company's ability to make dividend or interest payments in the original currency of the obligation (usually U.S. dollars). In addition, even though the currencies of some developing market countries, such as certain Eastern European countries, may be convertible into U.S. dollars, the conversion rates may be artificial to the actual market values and may be adverse to the Fund's shareholders.

*Frontier markets.* Frontier market countries include a sub-set of those currently considered to be developing by the World Bank, the International Finance Corporation, the United Nations, or the countries' authorities, or countries with a stock market capitalization of less than 3% of the MSCI World Index. These countries typically are located in the Asia-Pacific region, the Middle East, Central and South America, Eastern Europe and Africa. The risks of investing in emerging/developing markets are heightened in frontier markets, which have even less developed economies and financial systems.

Frontier market countries generally have smaller economies and less developed capital markets than traditional developing markets, and, as a result, the risks of investing in developing market countries are magnified in frontier market countries. The economies of frontier market countries are less correlated to global economic cycles than those of their more

developed counterparts and their markets have lower trading volumes and the potential for extreme price volatility and illiquidity. This volatility may be further heightened by the actions of a few major investors. For example, a substantial increase or decrease in cash flows of mutual funds investing in these markets could significantly affect local securities prices and, therefore, the price of frontier market investments. These factors make investing in frontier market countries significantly riskier than in other countries.

Governments of many frontier market countries in which the Fund may invest may exercise substantial influence over many aspects of the private sector. In some cases, the governments of such frontier market countries may own or control certain issuers. Accordingly, government actions could have a significant effect on economic conditions in a frontier market country and on market conditions, prices and yields of securities in the Fund's portfolio. Moreover, the economies of frontier market countries may be heavily dependent upon international trade and, accordingly, have been and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

Certain frontier market countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain frontier market countries may also restrict investment opportunities in issuers in industries deemed important to national interests.

Frontier market countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors, such as the Fund. In addition, if deterioration occurs in a frontier market country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Fund of any restrictions on investments. Investing in local markets in frontier market countries may require the Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Fund.

There may be no centralized securities exchange or other markets on which securities are traded in frontier market countries. Also, securities laws in many frontier market countries are relatively new and unsettled. Therefore, laws

regarding foreign investment in frontier market securities, securities regulation, title to securities, and security holder rights may change quickly and unpredictably.

The frontier market countries in which the Fund invests may become subject to sanctions or embargoes imposed by the U.S. government and the United Nations. The value of the securities issued by companies that operate in, or have dealings with these countries may be negatively impacted by any such sanction or embargo and may reduce the Fund's returns.

In addition, investing in frontier markets includes the risk of share blocking. Share blocking refers to a practice, in certain foreign markets, where voting rights related to an issuer's securities are predicated on these securities being blocked from trading at the custodian or sub-custodian level, for a period of time around a shareholder meeting. These restrictions have the effect of prohibiting securities to potentially be voted (or having been voted), from trading within a specified number of days before, and in certain instances, after the shareholder meeting.

Share blocking may prevent the Fund from buying or selling securities for a period of time. During the time that shares are blocked, trades in such securities will not settle. The specific practices may vary by market and the blocking period can last from a day to several weeks, typically terminating on a date established at the discretion of the issuer. Once blocked, the only manner in which to remove the block would be to withdraw a previously cast vote, or to abstain from voting all together. The process for having a blocking restriction lifted can be very difficult with the particular requirements varying widely by country. Additionally, in certain countries, the block cannot be removed.

**Gold and precious minerals operation companies** Like all investments, there are risks associated with an investment in the Fund and its policies of investing in securities of companies engaged in mining, processing, or dealing in gold or other precious minerals.

The price of gold has been subject to substantial price fluctuation over short periods of time. It may be affected by unpredictable international monetary and political policies, such as currency devaluations or revaluations, economic conditions within an individual country, trade imbalances or trade or currency restrictions between countries, and world inflation rates and interest rates. The price of gold, in turn, is likely to affect the market prices of securities of companies mining, processing, or dealing in gold and, accordingly, the value of the Fund's investments in these securities.

The following provides more detail about some of the factors that may affect the prices of gold and precious metals operation companies:

1. *Tax and currency laws.* Changes in the tax or currency laws of the U.S. and foreign countries may inhibit the Fund's ability to pursue, or may increase the cost of pursuing, its investment policies.

2. *Unpredictable monetary policies, economic and political conditions.* The Fund's assets may be less liquid or the change in the value of its assets may be more volatile (and less related to general price movements in the U.S. markets) than investments in the securities of U.S. companies, particularly because the price of gold and other precious metals may be affected by unpredictable international monetary policies, economic and political considerations, governmental controls, and conditions of scarcity, surplus, or speculation.

In addition, the use of gold or Special Drawing Rights (which are also used by members of the International Monetary Fund for international settlements) to settle net deficits and surpluses in trade and capital movements between nations subjects the supply and demand, and therefore the price, of gold to a variety of economic factors that normally would not affect other types of commodities.

3. *New and developing markets for private gold ownership.* Between 1933 and December 31, 1974, a market did not exist in the U.S. in which individuals could purchase gold bullion for investment purposes. Since it became legal to invest in gold, markets have developed in the U.S. Any large purchases or sales of gold bullion could have an effect on the price of gold bullion. From time to time, several central banks have sold gold bullion from their reserves. Sales by central banks or large institutional investors, or rumors of these sales have had a negative effect on gold prices.

The successful management of the Fund's portfolio may be more dependent upon the skills and expertise of the Fund's investment manager than is the case for most mutual funds because of the need to evaluate the factors identified above.

Some gold companies engage in hedging in order to create more stable and predictable cash flows. This hedging includes, but is not limited to forwards, options, futures contracts, and in some cases more advanced derivative structures covering gold, other metals or currency. Although the Fund's investment manager attempts to determine the impact of these financial instruments, extreme events in the gold bullion market may result in these positions becoming financial liabilities. The Fund continues to analyze hedging risks on a company-by-company basis.

4. *Platinum and palladium risk considerations.* Platinum and palladium are part of the same group of metals (platinum group metals) and often are found together in mining operations. Platinum has long been important for its industrial uses, serving as an essential catalyst in automotive catalytic converters and in some chemical and refining processes, as well as for jewelry fabrication. Palladium's main use is serving

as the primary metal in automobile catalytic converters. It is also used extensively in the electronic sector and in some dental applications.

Investments in companies engaged in the mining of platinum group metals involve substantial economic and political risks, which can greatly affect the price of the Fund's holdings in these companies. Most of the world's known supply of platinum group metals can be found in Russia and the Republic of South Africa, with lesser amounts coming from North American mining operations. Given the concentration of supply, any disruptions may have a marked effect on the prices of platinum or palladium.

5. *Co-products and by-products risk considerations.* Certain mines are supported by base metal co-products and by-products such as copper, zinc and nickel. These mines are subject to the same or similar risks as described above with respect to their mining of such co-products and by-products such as copper, zinc and nickel. The price of a company that relied on these types of co-products and by-products may be affected by downturn in the prices of such products or may have difficulty mining such products in the future. The Fund may be adversely affected by any changes in the companies in which it invests due to these risks.

6. *Precious Minerals.* The Fund may invest a small portion of its assets in securities of other precious minerals operation companies, such as companies that mine or deal in precious gems including, but not limited to, diamonds, emeralds and rubies. Investing in companies that mine or deal in other precious minerals such as diamonds, emeralds or rubies is considered speculative. Such companies carry many of the same risk as gold and precious metals operating companies as described above. In addition, precious minerals such as diamonds, emeralds or rubies, are each unique and, consequently, the price can vary considerably based on size, quality and color, making it considerably more difficult to predict a precious mineral company's revenue. The Fund may be adversely affected by any changes in the companies in which it invests due to these risks.

**Illiquid securities** Generally, an "illiquid security" or "illiquid investment" is any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. Illiquid investments generally include investments for which no market exists or which are legally restricted as to their transfer (such as those issued pursuant to an exemption from the registration requirements of the federal securities laws). Restricted securities are generally sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, as amended (1933 Act). If registration of a security previously acquired in a private transaction is required, the Fund, as the holder of the security, may be obligated to pay all or part of

the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it will be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to seek registration of the security. To the extent it is determined that there is a liquid institutional or other market for certain restricted securities, the Fund would consider them to be liquid securities. An example is a restricted security that may be freely transferred among qualified institutional buyers pursuant to Rule 144A under the 1933 Act, and for which a liquid institutional market has developed. Rule 144A securities may be subject, however, to a greater possibility of becoming illiquid than securities that have been registered with the SEC.

The following factors may be taken into account in determining whether a restricted security is properly considered a liquid security: (i) the frequency of trades and quotes for the security; (ii) the number of dealers willing to buy or sell the security and the number of other potential buyers; (iii) any dealer undertakings to make a market in the security; and (iv) the nature of the security and of the marketplace trades (e.g., any demand, put or tender features, the method of soliciting offers, the mechanics and other requirements for transfer, and the ability to assign or offset the rights and obligations of the security). The nature of the security and its trading includes the time needed to sell the security, the method of soliciting offers to purchase or sell the security, and the mechanics of transferring the security including the role of parties such as foreign or U.S. custodians, subcustodians, currency exchange brokers, and depositories.

The sale of illiquid investments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of investments eligible for trading on national securities exchanges or in the over-the-counter (OTC) markets. Illiquid investments often sell at a price lower than similar investments that are not subject to restrictions on resale.

The risk to the Fund in holding illiquid investments is that they may be more difficult to sell if the Fund wants to dispose of the investment in response to adverse developments or in order to raise money for redemptions or other investment opportunities. Illiquid trading conditions may also make it more difficult for the Fund to realize an investment's fair value.

The Fund may also be unable to achieve its desired level of exposure to a certain investment, issuer, or sector due to overall limitations on its ability to invest in illiquid investments and the difficulty in purchasing such investments.

If illiquid investments exceed 15% of the Fund's net assets after the time of purchase, the Fund will take steps to reduce

its holdings of illiquid investments to or below 15% of its net assets within a reasonable period of time, and will notify the Trust's Board of Trustees and make the required filings with the SEC in accordance with Rule 22e-4 under the 1940 Act. Because illiquid investments may not be readily marketable, the portfolio managers and/or investment personnel may not be able to dispose of them in a timely manner. As a result, the Fund may be forced to hold illiquid investments while their price depreciates. Depreciation in the price of illiquid investments may cause the net asset value of a Fund to decline.

**Interfund lending program** Pursuant to an exemptive order granted by the SEC (Lending Order), the Fund has the ability to lend money to, and borrow money from, other Franklin Templeton funds for temporary purposes (Interfund Lending Program) pursuant to a master interfund lending agreement (Interfund Loan). Lending and borrowing through the Interfund Lending Program provides the borrowing fund with a lower interest rate than it would have paid if it borrowed money from a bank, and provides the lending fund with an alternative short-term investment with a higher rate of return than other available short-term investments. All Interfund Loans would consist only of uninvested cash reserves that the lending fund otherwise would invest in short-term repurchase agreements or other short-term instruments. The Fund may only participate in the Interfund Lending Program to the extent permitted by its investment goal(s), policies and restrictions and only subject to meeting the conditions of the Lending Order.

The limitations of the Interfund Lending Program are described below and these and the other conditions of the Lending Order permitting interfund lending are designed to minimize the risks associated with interfund lending for both the lending and borrowing fund. However, no borrowing or lending activity is without risk. When a fund borrows money from another fund under the Interfund Lending Program, there is a risk that the Interfund Loan could be called on one business day's notice, in which case the borrowing fund may have to utilize a line of credit, which would likely involve higher rates, seek an Interfund Loan from another fund, or liquidate portfolio securities if no lending sources are available to meet its liquidity needs. Interfund Loans are subject to the risk that the borrowing fund could be unable to repay the loan when due, and a delay in repayment could result in a lost opportunity by the lending fund or force the lending fund to borrow or liquidate securities to meet its liquidity needs.

Under the Interfund Lending Program, the Fund may borrow on an unsecured basis through the Interfund Lending Program if its outstanding borrowings from all sources immediately after the borrowing total 10% or less of its total assets, provided that if the Fund has a secured loan outstanding from any other lender, including but not limited to another fund, the Fund's Interfund Loan will be secured on at least an equal priority basis with at least an equivalent

percentage of collateral to loan value as any outstanding loan that requires collateral. If the Fund's total outstanding borrowings immediately after an Interfund Loan exceed 10% of its total assets, the Fund may borrow through the Interfund Lending Program on a secured basis only. The Fund may not borrow under the Interfund Lending Program or from any other source if its total outstanding borrowings immediately after such borrowing would be more than 33 1/3% of its total assets or any lower threshold provided for by the Fund's investment restrictions.

If the Fund has outstanding bank borrowings, any Interfund Loans to the Fund would: (a) be at an interest rate equal to or lower than that of any outstanding bank loan, (b) be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that requires collateral, (c) have a maturity no longer than any outstanding bank loan (and in any event not over seven days), and (d) provide that, if an event of default by the Fund occurs under any agreement evidencing an outstanding bank loan to the Fund, that event of default will automatically (without need for action or notice by the lending Fund) constitute an immediate event of default under the interfund lending agreement, entitling the lending fund to call the Interfund Loan (and exercise all rights with respect to any collateral), and that such call would be made if the lending bank exercises its right to call its loan under its agreement with the borrowing fund.

In addition, no fund may lend to another fund through the Interfund Lending Program if the loan would cause the lending fund's aggregate outstanding loans through the Interfund Lending Program to exceed 15% of its current net assets at the time of the loan. A fund's Interfund Loans to any one fund shall not exceed 5% of the lending fund's net assets. The duration of Interfund Loans will be limited to the time required to obtain cash sufficient to repay such Interfund Loan, either through the sale of portfolio securities or the net sales of the fund's shares, but in no event more than seven days, and for purposes of this condition, loans effected within seven days of each other will be treated as separate loan transactions. Each Interfund Loan may be called on one business day's notice by a lending fund and may be repaid on any day by a borrowing fund.

**Investment company securities** The Fund may invest in other investment companies to the extent permitted by the 1940 Act, SEC rules thereunder and exemptions thereto. With respect to unaffiliated funds in which the Fund may invest, Section 12(d)(1)(A) of the 1940 Act requires that, as determined immediately after a purchase is made, (i) not more than 5% of the value of the Fund's total assets will be invested in the securities of any one investment company, (ii) not more than 10% of the value of the Fund's total assets will be invested in securities of investment companies as a group, and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the Fund. The

Fund will limit its investments in unaffiliated funds in accordance with the Section 12(d)(1)(A) limitations set forth above, except to the extent that any rules, regulations or no-action or exemptive relief under the 1940 Act permits the Fund's investments to exceed such limits in unaffiliated underlying funds. To the extent that the Fund invests in another investment company, because other investment companies pay advisory, administrative and service fees that are borne indirectly by investors, such as the Fund, there may be duplication of investment management and other fees. The Fund may also invest its cash balances in affiliated money market funds to the extent permitted by its investment policies and rules and exemptions granted under the 1940 Act.

*Exchange-traded funds.* The Fund may invest in exchange-traded funds (ETFs). Most ETFs are regulated as registered investment companies under the 1940 Act. Many ETFs acquire and hold securities of all of the companies or other issuers, or a representative sampling of companies or other issuers that are components of a particular index. Such ETFs are intended to provide investment results that, before expenses, generally correspond to the price and yield performance of the corresponding market index, and the value of their shares should, under normal circumstances, closely track the value of the index's underlying component securities. Because an ETF has operating expenses and transaction costs, while a market index does not, ETFs that track particular indices typically will be unable to match the performance of the index exactly. There are also actively managed ETFs that are managed similarly to other investment companies.

ETF shares may be purchased and sold in the secondary trading market on a securities exchange, in lots of any size, at any time during the trading day. The shares of an ETF may also be assembled in a block (typically 50,000 shares) known as a creation unit and redeemed in kind for a portfolio of the underlying securities (based on the ETF's net asset value) together with a cash payment generally equal to accumulated dividends as of the date of redemption. Conversely, a creation unit may be purchased from the ETF by depositing a specified portfolio of the ETF's underlying securities, as well as a cash payment generally equal to accumulated dividends of the securities (net of expenses) up to the time of deposit.

ETF shares, as opposed to creation units, are generally purchased and sold in a secondary market on a securities exchange. ETF shares can be traded in lots of any size, at any time during the trading day. Although the Fund, like most other investors in ETFs, intends to purchase and sell ETF shares primarily in the secondary trading market, the Fund may redeem creation units for the underlying securities (and any applicable cash), and may assemble a portfolio of the underlying securities and use it (and any required cash) to purchase creation units, if the investment manager believes it is in the Fund's best interest to do so.



An investment in an ETF is subject to all of the risks of investing in the securities held by the ETF and has similar risks as investing in a closed-end fund. In addition, because of the ability of large market participants to arbitrage price differences by purchasing or redeeming creation units, the difference between the market value and the net asset value of ETF shares should in most cases be small. An ETF may be terminated and need to liquidate its portfolio securities at a time when the prices for those securities are falling.

**Private Investments in Public Companies** In a typical private investment in a public company transaction, a qualified buyer (e.g. institutional accredited investors) will acquire, directly from an issuer seeking to raise capital in a private placement pursuant to an exemption from federal or the applicable country's securities laws, common stock or a security convertible into common stock, such as convertible notes or convertible preferred stock. Although the issuer's common stock is usually publicly traded, the securities acquired will be subject to restrictions on resale imposed by U.S. or the applicable country's securities laws. The purchase price paid in a such a private placement transaction (or the conversion price of the convertible securities being acquired) will typically be fixed at a discount to the market price of the issuer's common stock at the time of the transaction. As part of the transaction, the issuer usually will be contractually obligated to seek to register within an agreed upon period of time for public resale under the U.S. or applicable country's securities laws the common stock or the shares of common stock issuable upon conversion of the convertible securities. If the issuer fails to register the shares within that period, the buyer may be entitled to additional consideration from the issuer (such as warrants to acquire additional shares), but the buyer may not be able to sell its shares unless and until the registration process is successfully completed.

Private placement transactions therefore present certain risks not associated with open market purchases of equities. Private placements in public companies involve the risk that the issuer may be unable to register for public resale the shares in a timely manner or at all, in which case the shares may be saleable only in a privately negotiated transaction at a price less than that paid, assuming a suitable buyer can be found. Disposing of the securities may involve negotiation and legal expenses, and selling them promptly at an acceptable price may be difficult or impossible. Even if the shares are registered for public resale, the market for the issuer's securities may nevertheless be thinly traded or illiquid, making the sale of securities at the desired prices or in desired quantities difficult or impossible. As a result, such private placement securities of public companies may be deemed illiquid and may be difficult to sell at a desirable time or at the prices at which the Fund has valued the investments. The securities purchased in private placements are usually restricted securities. Restricted securities cannot be sold without being registered under the 1933 Act or applicable

country's securities laws, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A under the 1933 Act). See the "Illiquid securities" section of this SAI for a further description of restricted and illiquid securities. Further, since private placement securities are not registered with the applicable regulatory authorities, investors in a private placement have less protection under the U.S. or applicable country's securities laws against improper practices than investors in registered securities.

**Repurchase agreements** Under a repurchase agreement, the Fund agrees to buy securities guaranteed as to payment of principal and interest by the U.S. government or its agencies or instrumentalities from a qualified bank, broker-dealer or other counterparty and then to sell the securities back to such counterparty on an agreed upon date (generally less than seven days) at a higher price, which reflects currently prevailing short-term interest rates. Entering into repurchase agreements allows the Fund to earn a return on cash in the Fund's portfolio that would otherwise remain uninvested. The counterparty must transfer to the Fund's custodian, as collateral, securities with an initial market value of at least 102% of the dollar amount paid by the Fund to the counterparty. The investment manager will monitor the value of such collateral daily to determine that the value of the collateral equals or exceeds the repurchase price.

Repurchase agreements may involve risks in the event of default or insolvency of the counterparty, including possible delays or restrictions upon the Fund's ability to sell the underlying securities and additional expenses in seeking to enforce the Fund's rights and recover any losses. The Fund will enter into repurchase agreements only with parties who meet certain creditworthiness standards, i.e., banks or broker-dealers that the investment manager has determined, based on the information available at the time, present no serious risk of becoming involved in bankruptcy proceedings within the time frame contemplated by the repurchase agreement. Although the Fund seeks to limit the credit risk under a repurchase agreement by carefully selecting counterparties and accepting only high quality collateral, some credit risk remains. The counterparty could default which may make it necessary for the Fund to incur expenses to liquidate the collateral. In addition, the collateral may decline in value before it can be liquidated by the Fund.

A repurchase agreement with more than seven days to maturity is considered an illiquid security and is subject to the Fund's investment restriction on illiquid securities.

**Securities lending** To generate additional income, the Fund may lend certain of its portfolio securities to qualified banks and broker-dealers (referred to as "borrowers"). In exchange, the Fund receives cash collateral from a borrower at least equal to the value of the security loaned by the Fund. Cash collateral typically consists of any combination of cash, securities issued by the U.S. government and its agencies

and instrumentalities, and irrevocable letters of credit. The Fund may invest this cash collateral while the loan is outstanding and generally retains part or all of the interest earned on the cash collateral. Securities lending allows the Fund to retain ownership of the securities loaned and, at the same time, earn additional income.

For each loan, the borrower usually must maintain with the Fund's custodian collateral with an initial market value at least equal to 102% of the market value of the domestic securities loaned (or 105% of the market value of foreign securities loaned), including any accrued interest thereon. Such collateral will be marked-to-market daily, and if the coverage falls below 100%, the borrower will be required to deliver additional collateral equal to at least 102% of the market value of the domestic securities loaned (or 105% of the foreign securities loaned).

The Fund retains all or a portion of the interest received on investment of the cash collateral or receives a fee from the borrower. The Fund also continues to receive any distributions paid on the loaned securities. The Fund seeks to maintain the ability to obtain the right to vote or consent on proxy proposals involving material events affecting securities loaned. The Fund may terminate a loan at any time and obtain the return of the securities loaned within the normal settlement period for the security involved.

If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, the Fund could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. These delays and costs could be greater for foreign securities. If the Fund is not able to recover the securities loaned, the Fund may sell the collateral and purchase a replacement investment in the market. Additional transaction costs would result, and the value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. Until the replacement can be purchased, the Fund will not have the desired level of exposure to the security which the borrower failed to return. Cash received as collateral through loan transactions may be invested in other eligible securities, including shares of a money market fund. Investing this cash subjects the Fund to greater market risk including losses on the collateral and, should the Fund need to look to the collateral in the event of the borrower's default, losses on the loan secured by that collateral.

The Fund will loan its securities only to parties who meet creditworthiness standards approved by the Fund's board (i.e., banks or broker-dealers that the investment manager has determined are not apparently at risk of becoming involved in bankruptcy proceedings within the time frame contemplated by the loan). In addition, pursuant to the 1940 Act and SEC interpretations thereof, the aggregate market value of securities that may be loaned by the Fund is limited

to 33 1/3% of the Fund's total assets or such lower limit as set by the Fund or its board.

**Temporary investments** When the investment manager believes market or economic conditions are unfavorable for investors, the investment manager may invest up to 100% of the Fund's assets in temporary defensive investments, including cash, cash equivalents or other high quality short-term investments, such as short-term debt instruments, including U.S. government securities, high grade commercial paper, repurchase agreements, negotiable certificates of deposit, non-negotiable fixed time deposits, bankers acceptances, and other money market equivalents. To the extent allowed by exemptions from and rules under the 1940 Act and the Fund's other investment policies and restrictions, the investment manager also may invest the Fund's assets in shares of one or more money market funds managed by the investment manager or its affiliates. Unfavorable market or economic conditions may include excessive volatility or a prolonged general decline in the securities markets, the securities in which the Fund normally invests, or the economies of the countries where the Fund invests. Temporary defensive investments can and do experience defaults. The likelihood of default on a temporary defensive investment may increase in the market or economic conditions which are likely to trigger the Fund's investment therein. The investment manager also may invest in these types of securities or hold cash while looking for suitable investment opportunities or to maintain liquidity. When the Fund's assets are invested in temporary investments, the Fund may not be able to achieve its investment goal.

**Timing of the Fund's transactions** Normally, the Fund will buy securities for investment with a view to long-term appreciation. The Fund may on occasion, however, buy securities with the expectation of realizing gains over the short-term. Because the investment outlook of the types of securities that the Fund may buy may change as a result of unexpected developments in national or international securities markets, or in economic, monetary or political relationships, the Fund will not treat its portfolio turnover as a limiting factor. The Fund may make changes in particular portfolio holdings whenever the Fund considers that a security no longer has optimum growth potential or has reached its anticipated level of performance, or that another security appears to have a relatively greater potential for capital appreciation, and will make such changes without regard to the length of time the Fund has held a security. The Fund may consider the differences between the tax treatment of long-term gains and short-term gains, however, in determining the timing of portfolio transactions.

The following is a description of other **risks** associated with the Fund's investments:

**Focus** The greater the Fund's exposure to (or focus on) any single type of investment – including investment in a given

industry, sector, country, region, or type of security – the greater the impact of adverse events or conditions in such industry, sector, country, region or investment will have on the Fund's performance. To the extent the Fund has greater exposure to any single type of investment, the Fund's potential for loss (or gain) will be greater than if its portfolio were invested more broadly in many types of investments.

**Inside information** The investment manager (through its representatives or otherwise) may receive information that restricts the investment manager's ability to cause the Fund to buy or sell securities of an issuer for substantial periods of time when the Fund otherwise could realize profit or avoid loss. This may adversely affect the Fund's flexibility with respect to buying or selling securities and may impair the Fund's liquidity.

**Liquidity** Liquidity risk exists when particular investments are or become difficult to purchase or sell at the price at which the Fund has valued the security, whether because of current market conditions, the financial condition of the issuer, or the specific type of investment. If the market for a particular security becomes illiquid (for example, due to changes in the issuer's financial condition), the Fund may be unable to sell such security at an advantageous time or price due to the difficulty in selling such securities. To the extent that the Fund and its affiliates hold a significant portion of an issuer's outstanding securities, the Fund may also be subject to greater liquidity risk than if the issuer's securities were more widely held. The Fund may also need to sell some of the Fund's more liquid securities when it otherwise would not do so in order to meet redemption requests, even if such sale of the liquid holdings would be disadvantageous from an investment standpoint. Reduced liquidity may also have an adverse impact on a security's market value and the sale of such securities often results in higher brokerage charges or dealer discounts and other selling expenses. Reduced liquidity in the secondary market for certain securities will also make it more difficult for the Fund to obtain market quotations based on actual trades for purposes of valuing the Fund's portfolio and thus pricing may be prone to error when market quotations are volatile, infrequent and/or subject to large spreads between bid and ask prices. In addition, prices received by the Fund for securities may be based on institutional "round lot" sizes, but the Fund may purchase, hold or sell smaller, "odd lot" sizes, which may be harder to sell. Odd lots may trade at lower prices than round lots, which may affect the Fund's ability to accurately value its investments.

The market for certain equity or debt securities may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. For example, dealer capacity in certain fixed income markets appears to have undergone fundamental changes since the financial crisis of 2008, which may result in low dealer inventories and a reduction in dealer

market-making capacity. An increase in interest rates due to the tapering of the Federal Reserve Board's quantitative easing program and other similar central bank actions, coupled with a reduction in dealer market-making capacity, may decrease liquidity and increase volatility in the fixed income markets. Liquidity risk generally increases (meaning that securities become more illiquid) as the number, or relative need, of investors seeking to liquidate in a given market increases; for example, when an asset class or classes fall out of favor and investors sell their holdings in such classes, either directly or indirectly through investment funds, such as mutual funds.

**Management** The investment manager's judgments about markets, interest rates or the attractiveness, relative values or potential appreciation of particular investment strategies or sectors or securities purchased for the Fund's portfolio may prove to be incorrect, all of which could cause the Fund to perform less favorably and may result in a decline in the Fund's share price.

The investment manager selects investments for the Fund based on its own analysis and information as well as on external sources of information, such as information that the investment manager obtains from other sources including through conferences and discussions with third parties, and data that issuers of securities provide to the investment manager or file with government agencies. The investment manager may also use information concerning institutional positions and buying activity in a security.

The investment manager is not in a position to confirm the completeness, genuineness or accuracy of any of such information that is provided or filed by an issuer, and in some cases, complete and accurate information is not readily available. It is also possible that information on which the investment manager relies could be wrong or misleading. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the investment manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goal. Management risk is greater when less qualitative information is available to the investment manager about an investment.

**Market** The market value of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably due to general market conditions which are not specifically related to a single corporate borrower or security issuer. These general market conditions include real or perceived adverse economic or regulatory conditions, changes in the general outlook for corporate earnings, changes in interest or currency exchange rates or adverse investor sentiment generally. Market values may also decline due to factors which affect a particular industry or sector, such as labor shortages or increased production costs and competitive conditions within an industry, or a particular segment, such as

mortgage or government securities. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. When markets perform well, there can be no assurance that the Fund's securities will participate in or otherwise benefit from the advance.

**Non-Diversification** A non-diversified fund for purposes of the 1940 Act may, with respect to more than 25% of its assets, invest more than 5% of its assets (taken at market value at the time of purchase) in the outstanding securities of any single issuer and/or own more than 10% of the outstanding voting securities of any one issuer. However, the Fund intends to meet certain diversification requirements for tax purposes. Generally, to meet federal tax requirements at the close of each quarter, the Fund will not invest more than 25% of its total assets in any one issuer and, with respect to 50% of total assets, will not invest more than 5% of its total assets in any one issuer or more than 10% of the issuer's outstanding voting securities. These limitations do not apply to U.S. government securities and securities issued by regulated investment companies. If applicable federal income tax requirements are revised, the Fund may change its diversification policies without obtaining shareholder approval.

Because a non-diversified fund generally invests a greater portion of its assets in the securities of one or more issuers and/or invests overall in a smaller number of issuers than a diversified fund, the Fund may be more sensitive to a single economic, business, political, regulatory or other occurrence or to the financial results of a single issuer than a more diversified fund might be. Similarly, the Fund's credit risk increases as more of the Fund's assets are invested in a smaller number of issuers.

**Portfolio turnover** Portfolio turnover is a measure of how frequently the Fund's portfolio securities are bought and sold. High portfolio turnover rates generally increase transaction costs, which are Fund expenses. Such portfolio transactions may also result in the realization of taxable capital gains, including short-term capital gains, which are generally taxable at ordinary income tax rates for federal income tax purposes for shareholders subject to income tax and who hold their shares in a taxable account. Higher transaction costs reduce the Fund's returns.

The SEC requires annual portfolio turnover to be calculated generally as the lesser of the Fund's purchases or sales of portfolio securities during a given fiscal year, divided by the monthly average value of the Fund's portfolio securities owned during that year (excluding securities with a maturity or expiration date that, at the time of acquisition, was less than one year). For example, a fund reporting a 100% portfolio turnover rate would have purchased and sold securities worth as much as the monthly average value of its portfolio securities during the year. The portfolio turnover rates for the Fund are disclosed in the sections entitled "Portfolio Turnover" and "Financial Highlights" of the Fund's prospectus.

Portfolio turnover is affected by factors within and outside the control of the Fund and its investment manager. The investment manager's investment outlook for the type of securities in which the Fund invests may change as a result of unexpected developments in domestic or international securities markets, or in economic, monetary or political relationships. High market volatility may result in the investment manager using a more active trading strategy than it might have otherwise pursued. The Fund's investment manager will consider the economic effects of portfolio turnover but generally will not treat portfolio turnover as a limiting factor in making investment decisions. Investment decisions affecting turnover may include changes in investment policies or management personnel, as well as individual portfolio transactions.

Factors wholly outside the control of the investment manager that may increase portfolio turnover include increased merger and acquisition activity, increased refinancing of outstanding debt by an issuer, or increased rates of bankruptcy or default, that may create involuntary transactions for funds that hold affected securities.

The rate of bond calls by issuers of fixed-income debt securities may increase as interest rates decline. This causes "sales" of called bonds by the Fund and the subsequent purchase of replacement investments.

In addition, redemptions or exchanges by investors may require the liquidation of portfolio securities. Changes in particular portfolio holdings may also be made whenever a security is considered to be no longer the most appropriate investment for the Fund, or another security appears to have a relatively better opportunity.

#### *Policies and Procedures Regarding the Release of Portfolio Holdings*

The Fund's overall policy with respect to the release of portfolio holdings is to release such information consistent with applicable legal requirements and the fiduciary duties owed to shareholders. Subject to the limited exceptions described below, the Fund will not make available to anyone non-public information with respect to its portfolio holdings, until such time as the information is made available to all shareholders or the general public.

For purposes of this policy, portfolio holdings information does not include aggregate, composite or descriptive information that, in the reasonable judgement of the Fund's Chief Compliance Officer, does not present risks of dilution, arbitrage, market timing, insider trading or other inappropriate trading to the detriment of the Fund. Information excluded from the definition of portfolio holdings information generally includes, without limitation: (1) descriptions of allocations among asset classes, regions, countries or industries/sectors; (2) aggregated data such as average or median ratios, market capitalization, credit quality or duration; (3) performance

attributions by industry, sector or country; or (4) aggregated risk statistics. Such information, if made available to anyone, will be made available to any person upon request, but, because such information is generally not material to investors, it may or may not be posted on the Fund's website. In addition, other information may also be deemed to not be portfolio holdings information if, in the reasonable belief of the Fund's Chief Compliance Officer (or his/her designee), the release of such information would not present risks of dilution, arbitrage, market timing, insider trading or other inappropriate trading for the Fund.

Consistent with current law, the Fund releases complete portfolio holdings information each fiscal quarter through regulatory filings with no more than a 60-day lag.

In addition, subject to the limited exceptions noted below, a complete list of the Fund's portfolio holdings is generally released no sooner than 20 calendar days after the end of each calendar month. Other portfolio holdings information, such as top 10 holdings, commentaries and other materials that may reference specific holdings information of the Fund as of the most recent month end may be released monthly, no sooner than five days after the end of each month. Released portfolio holdings information can be viewed at [franklintempleton.com](http://franklintempleton.com).

To the extent that this policy would permit the release of portfolio holdings information regarding a particular portfolio holding for the Fund that is the subject of ongoing purchase or sale orders/programs, or if the release of such portfolio holdings information would otherwise be sensitive or inappropriate due to liquidity or other market considerations, the portfolio manager for the Fund may request that the release of such information be withheld.

Exceptions to the portfolio holdings release policy (to the extent not otherwise permitted pursuant to an exclusion) will be made only when: (1) the Fund has a legitimate business purpose for releasing portfolio holdings information in advance of release to all shareholders or the general public; (2) the recipient is subject to a duty of confidentiality pursuant to a signed non-disclosure agreement; and (3) the release of such information would not otherwise violate the antifraud provisions of the federal securities laws or fiduciary duties owed to Fund shareholders. The determination of whether to grant an exception, which includes the determination of whether the Fund has a legitimate business purpose for releasing portfolio holdings information in advance of release to all shareholders shall be made by the Fund's Chief Compliance Officer or his/her designee, following a request submitted in writing.

The eligible third parties to whom portfolio holdings information may be released in advance of general release fall into the following categories: data consolidators (including rating agencies), fund rating/ranking services and other data

providers; service providers to the Fund; municipal securities brokers using the Investor Tools product which brings together buyers and sellers of municipal securities in the normal operation of the municipal securities markets; certain entities, in response to any regulatory requirements, approved by the investment manager's Chief Compliance Officer in limited circumstances; and transition managers hired by Fund shareholders. In addition, should the Fund process a shareholder's redemption request in-kind, the Fund may, under certain circumstances, provide portfolio holdings information to such shareholder to the extent necessary to allow the shareholder to prepare for receipt of such portfolio securities.

The specific entities to whom the Fund may provide portfolio holdings in advance of their release to the general public are:

- Bloomberg, Capital Access, CDA (Thomson Reuters), FactSet, Fidelity Advisors, S&P Global Ratings, Vestek, and Fidelity Trust Company, all of whom may receive portfolio holdings information 15 days after the quarter end.
- Service providers to the Fund that receive portfolio holdings information from time to time in advance of general release in the course of performing, or to enable them to perform, services for the Fund, including:  
Custodian Bank: The Bank of New York Mellon; Sub-Administrator: JPMorgan Chase Bank; Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP; Outside Fund Legal Counsel: Stradley Ronon Stevens & Young, LLP; Independent Directors'/Trustees' Counsel: Vedder Price P.C.; Proxy Voting Services: Glass, Lewis & Co., LLC and Institutional Shareholder Services, Inc.; Brokerage Analytical Services: Sanford Bernstein, Brown Brothers Harriman, Royal Bank of Canada Capital Markets, JP Morgan Securities Inc.; Financial Printers: Donnelley Financial Solutions, Inc. or GCOM Solutions, Inc.

Eligible third parties that do not otherwise have a duty of confidentiality or have not acknowledged such a duty are required to (a) execute a non-disclosure agreement that includes the following provisions or (b) otherwise acknowledge and represent adherence to substantially similar provisions. Non-disclosure agreements include the following provisions:

- The recipient agrees to keep confidential until such information either is released to the public or the release is otherwise approved by the Head of Global Compliance.
- The recipient agrees not to trade on the non-public information received.
- The recipient agrees to refresh its representation as to confidentiality and abstention from trading upon request from Franklin Templeton.

In no case does the Fund receive any compensation in connection with the arrangements to release portfolio holdings information to any of the above-described recipients of the information.

A fund other than a U.S. registered Franklin Templeton fund, such as an offshore fund or an unregistered private fund, with holdings that are not substantially similar to the holdings of a U.S. registered Franklin Templeton fund, is not subject to the restrictions imposed by the policy.

Several investment managers within Franklin Templeton (F-T Managers) serve as investment managers to offshore funds that are registered or otherwise authorized for sale with foreign regulatory authorities. Certain of these offshore funds may from time to time invest in securities substantially similar to those of the Fund. The release of portfolio holdings information for such offshore funds is excluded from the Fund's portfolio holdings release policy if such information is given to banks, broker-dealers, insurance companies, registered investment managers and other financial institutions (offshore investment managers) with discretionary authority to select offshore funds on behalf of their clients. Such information may only be disclosed for portfolio analytics, such as risk analysis/asset allocation, and the offshore investment manager will be required to execute a non-disclosure agreement, whereby such offshore investment manager: (1) agrees that it is subject to a duty of confidentiality; (2) agrees that it will not (a) purchase or sell any portfolio securities based on any information received; (b) trade against any U.S. registered Franklin Templeton fund, including the Fund; (c) knowingly engage in any trading practices that are adverse to any such fund or its shareholders; and (d) trade in shares of any such fund; and (3) agrees to limit the dissemination of such information so received within its organization other than to the extent necessary to fulfill its obligations with respect to portfolio analytics for its discretionary clients.

Certain F-T Managers serve as investment advisers to privately placed funds that are exempt from registration, including Canadian institutional pooled funds ("Canadian funds"). In certain circumstances, such unregistered private funds and Canadian funds may have portfolio holdings that are not, in the aggregate, substantially similar to the holdings of a U.S. registered fund, as determined by the Chief Compliance Officer or his/her designee. Under such circumstances the release of portfolio holdings information to a client or potential client or unitholder of the unregistered private fund or Canadian fund may be permissible. In circumstances where an unregistered private fund or Canadian fund invests in portfolio securities that, in the aggregate, are substantially similar to the holdings of a U.S. registered fund, such private funds and Canadian funds are subject to the restrictions imposed by the policy, except that the release of holdings information to a current investor therein is permissible conditioned upon such investor's

execution of a non-disclosure agreement to mitigate the risk that portfolio holdings information may be used to trade inappropriately against a fund. Such non-disclosure agreement must provide that the investor: (1) agrees that it is subject to a duty of confidentiality; (2) agrees to not disseminate such information (except that the investor may be permitted to disseminate such information to an agent as necessary to allow the performance of portfolio analytics with respect to the investor's investment in such fund), and (3) agrees not to trade on the non-public information received or trade in shares of any U.S. registered Franklin or Templeton fund that is managed in a style substantially similar to that of such fund, in the case of a Canadian fund.

U.S. registered open-end funds and offshore funds with shares listed on a national securities exchange and that are operating as Exchange Traded Funds and U.S. registered open-end funds and offshore funds substantially all of whose assets are invested in registered open-end funds and/or Exchange Traded Funds are excepted from the policy's restrictions.

Certain F-T Managers provide model portfolios composed of portfolio holdings information to the sponsors of programs offering separately managed accounts, unified model accounts or similar accounts ("Program Sponsors"). If such model portfolios are substantially similar to those of a U.S. registered fund, such model portfolios may be provided to Program Sponsors so long as the recipient Program Sponsors has executed a non-disclosure agreement or other agreement containing or incorporating confidentiality provisions that restrict the use and dissemination of confidential portfolio holdings information received by the Program Sponsor as described in the following sentence, or other provisions that impose similar restrictions on such use and dissemination. Such agreement provides that the Program Sponsor agrees that: (1) it is subject to a duty of confidentiality; (2) it will use confidential model portfolio information only to the extent necessary to perform its obligations under the agreement; and (3) it will not disclose confidential model portfolio information except to personnel or parties who have a need to know such confidential information in connection with, or in order to fulfill the purposes contemplated by, the agreement. In addition, for such model portfolios, other limitations on the release of such information are in place that are designed to ensure that the release would not likely negatively affect the Fund's execution of corresponding trades, such as an evaluation of the liquidity of the strategy of the applicable model portfolio.

Some F-T Managers serve as sub-advisors to other mutual funds not within the Franklin Templeton fund complex ("other funds"), which may be managed in a style substantially similar to that of a U.S. registered Franklin or Templeton fund. Such other funds are not subject to the Fund's portfolio holdings release policy. The sponsors of such funds may disclose the

portfolio holdings of such funds at different times than the Fund discloses its portfolio holdings.

The Fund's portfolio holdings release policy and all subsequent amendments have been reviewed and approved by the Fund's board, and any other material amendments shall also be reviewed and approved by the board. The investment manager's compliance staff conducts periodic

reviews of compliance with the policy and provides at least annually a report to the board regarding the operation of the policy and any material changes recommended as a result of such review. The investment manager's compliance staff also will supply the board yearly with a list of exceptions granted to the policy, along with an explanation of the legitimate business purpose of the Fund that is served as a result of the exception.

## Officers and Trustees

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The Fund has a board of trustees. Each trustee will serve until that person resigns, retires and/or a successor is elected and qualified. The board is responsible for the overall management of the Trust, including general supervision and review of the Fund's investment activities. The board, in turn, elects the officers of the Trust who are responsible for administering the Fund's day-to-day operations. The board also monitors the Fund to ensure that no material conflicts exist among share classes. While none are expected, the board will act appropriately to resolve any material conflict that may arise.

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years, number of portfolios overseen in the Franklin Templeton fund complex and other directorships held during at least the past five years are shown below.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios Overseen by Board Member <sup>1</sup>	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1982	123	Bar-S Foods (meat packing company) (1981-2010).

#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	104	Hess Corporation (exploration of oil and gas) (2014-present).
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#### Principal Occupation During at Least the Past 5 Years:

Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and **formerly**, Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).

Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	124	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-2020).
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#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/ Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).

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Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member <sup>1</sup>	Other Directorships Held During at Least the Past 5 Years
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2003 and Lead Independent Trustee since 2019	124	Hess Corporation (exploration of oil and gas) (1993-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and <b>formerly</b> , Canadian National Railway (railroad) (2001-April 2021), White Mountains Insurance Group, Ltd. (holding company) (2004-May 2021), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

**Principal Occupation During at Least the Past 5 Years:**

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	124	Boeing Capital Corporation (aircraft financing) (2006-2010).
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**Principal Occupation During at Least the Past 5 Years:**

Private investor; and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	124	Graham Holdings Company (education and media organization) (2011-May 2021); The Southern Company (energy company) (2014-2020; previously 2010-2012) and Cbeyond, Inc. (business communications provider) (2010-2012).
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**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Valerie M. Williams (1956) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since May 2021	104	Omnicom Group, Inc. (advertising and marketing communications services) (2016-present), DTE Energy Co. (gas and electric utility) (2018-present), Devon Energy Corporation (exploration and production of oil and gas) (January 2021-present); and <b>formerly</b> , WPX Energy, Inc. (exploration and production of oil and gas) (2018-January 2021).
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**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; and **formerly**, Regional Assurance Managing Partner, Ernst & Young LLP (public accounting) (2005-2016) and various roles of increasing responsibility at Ernst & Young (1981-2005).

**Interested Board Members and Officers**

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member <sup>1</sup>	Other Directorships Held During at Least the Past 5 Years
Gregory E. Johnson <sup>2</sup> (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	135	None

**Principal Occupation During at Least the Past 5 Years:**

Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex; Vice Chairman, Investment Company Institute; and **formerly**, Chief Executive Officer (2013-2020) and President (1994-2015) Franklin Resources, Inc.



<b>Name, Year of Birth and Address</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member<sup>1</sup></b>	<b>Other Directorships Held During at Least the Past 5 Years</b>
Rupert H. Johnson, Jr. <sup>3</sup> (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Since 2013	124	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, FASA, LLC; Assistant Secretary, Franklin Distributors, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer - Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Franklin Advisers, Inc.; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member <sup>1</sup>	Other Directorships Held During at Least the Past 5 Years
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since 2019	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Jeffrey W. White (1971) One Franklin Parkway San Mateo, CA 94403-1906	Interim Chief Financial Officer, Chief Accounting Officer and Treasurer	Since October 2021	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Director, Fund Administration & Reporting; officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and **formerly**, Manager, Fund Administration & Reporting (2009-2017).

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this SAI. It is possible that after this date, information about officers may change.

1. We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton/Legg Mason fund complex. These portfolios have a common investment manager or affiliated investment managers.

2. Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor.

3. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and a major shareholder of Resources, which is the parent company of the Fund's investment manager and distributor.

The Trust's independent board members constitute the sole independent board members of 24 investment companies in the Franklin Templeton complex for which each independent board member currently is paid a \$304,000 annual retainer fee, together with a \$7,000 per meeting fee for attendance at each regularly scheduled board meeting, a portion of which fees are allocated to the Trust. To the extent held, compensation may also be paid for attendance at specially held board meetings. The Trust's lead independent board member is paid an annual supplemental retainer of \$40,000 for services to such investment companies, a portion of which is allocated to the Trust. Board members who serve on the Audit Committee of the Trust and such other funds are paid a \$10,000 annual retainer fee, together with a \$3,000 fee per Committee meeting in which they participate, a portion of which is allocated to the Trust. Terrence J. Checki, who serves as chairman of the Audit Committee of the Trust and such other funds receives a fee of \$50,000 per year in lieu of the Audit Committee member retainer fee, a portion of which is allocated to the Trust. The following table provides the total fees paid to independent board members by the Trust and by other funds in Franklin Templeton.

Name	Total Fees Received from the Trust (\$) <sup>1</sup>	Total Fees Received from Franklin Templeton (\$) <sup>2</sup>	Number of Boards in Franklin Templeton on which Each Serves <sup>3</sup>
Harris J. Ashton	4,211	640,000	35
Terrence J. Checki	4,552	440,000	24
Mary C. Choksi	4,382	680,000	36
Edith E. Holiday	4,552	770,000	36
J. Michael Luttig	4,382	708,000	36
Larry D. Thompson	4,382	680,000	36
Valerie M. Williams <sup>4</sup>	610	N/A	24

<sup>1</sup> For the fiscal year ended July 31, 2021.

<sup>2</sup> For the calendar year ended December 31, 2020.

<sup>3</sup> We base the number of boards on the number of U.S. registered investment companies in Franklin Templeton. This number does not include the total number of series or portfolio within each investment company for which the board members are responsible.

<sup>4</sup> Appointed as Trustee of the Trust effective as of May 10, 2021.

Independent board members are reimbursed for expenses incurred in connection with attending board meetings and such expenses are paid pro rata by each fund in Franklin Templeton for which they serve as director or trustee. No officer or board member received any other compensation, including pension or retirement benefits, directly or indirectly from the Trust or other funds in Franklin Templeton. Certain officers or board members who are shareholders of Franklin Resources, Inc. (Resources) may be deemed to receive indirect remuneration by virtue of their participation, if any, in the fees paid to its subsidiaries.

Board members historically have followed a policy of having substantial investments in one or more of the Franklin Templeton funds, as is consistent with their individual financial goals. In February 1998, this policy was formalized through the adoption of a requirement that each board

member invest one-third of fees received for serving as a director or trustee of a Templeton fund (excluding committee fees) in shares of one or more Templeton funds and one-third of fees received for serving as a director or trustee of a Franklin fund (excluding committee fees) in shares of one or more Franklin funds until the value of such investments equals or exceeds five times the annual retainer and regular board meeting fees paid to such board member. Investments in the name of family members or entities controlled by a board member constitute fund holdings of such board member for purposes of this policy, and a three-year phase-in period applies to such investment requirements for newly elected board members. In implementing such policy, a board member's fund holdings existing on February 27, 1998, are valued as of such date with subsequent investments valued at cost.

The following tables provide the dollar range of equity securities beneficially owned by the board members of the Fund on December 31, 2020.

### Independent Board Members

Name of Board Member	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Funds Overseen by the Board Member in the Franklin Templeton Fund Complex
Harris J. Ashton	None	Over \$100,000
Terrence J. Checki	None	Over \$100,000
Mary C. Choksi	None	Over \$100,000
Edith E. Holiday	None	Over \$100,000
J. Michael Luttig	None	Over \$100,000
Larry D. Thompson	\$10,001 - \$50,000	Over \$100,000
Valerie M. Williams <sup>1</sup>	N/A	N/A

### Interested Board Members

Name of Board Member	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Funds Overseen by the Board Member in the Franklin Templeton Fund Complex
Gregory E. Johnson	Over \$100,000	Over \$100,000
Rupert H. Johnson, Jr.	None	Over \$100,000

1. Appointed as Trustee of the Trust effective May 10, 2021.

**Board committees** The board maintains two standing committees: the Audit Committee and the Nominating Committee. The Audit Committee is generally responsible for recommending the selection of the Trust's independent registered public accounting firm (auditors), including evaluating their independence and meeting with such auditors to consider and review matters relating to the Trust's financial reports and internal controls. The Audit Committee is comprised of the following independent trustees of the Trust: Terrence J. Checki, Mary C. Choksi, Edith E. Holiday, J.

Michael Luttig, Larry D. Thompson and Valerie M. Williams. The Nominating Committee is comprised of the following independent trustees of the Trust: Harris J. Ashton, Terrence J. Checki, Mary C. Choksi, Edith E. Holiday, J. Michael Luttig, Larry D. Thompson and Valerie M. Williams.

The Nominating Committee is responsible for selecting candidates to serve as board members and recommending such candidates (a) for selection and nomination as independent board members by the incumbent independent board member and the full board; and (b) for selection and nomination as interested board members by the full board.

When the board has or expects to have a vacancy, the Nominating Committee receives and reviews information on individuals qualified to be recommended to the full board as nominees for election as board members, including any recommendations by "Qualifying Fund Shareholders" (as defined below). To date, the Nominating Committee has been able to identify, and expects to continue to be able to identify, from its own resources an ample number of qualified candidates. The Nominating Committee, however, will review recommendations from Qualifying Fund Shareholders to fill vacancies on the board if these recommendations are submitted in writing and addressed to the Nominating Committee at the Fund's offices at One Franklin Parkway, San Mateo, CA 94403-1906 and are presented with appropriate background material concerning the candidate that demonstrates his or her ability to serve as a board member, including as an independent board member, of the Fund. A Qualifying Fund Shareholder is a shareholder who (i) has continuously owned of record, or beneficially through a financial intermediary, shares of the Fund having a net asset value of not less than two hundred and fifty thousand dollars (\$250,000) during the 24-month period prior to submitting the recommendation; and (ii) provides a written notice to the Nominating Committee containing the following information: (a) the name and address of the Qualifying Fund Shareholder making the recommendation; (b) the number of shares of the Fund which are owned of record and beneficially by such Qualifying Fund Shareholder and the length of time that such shares have been so owned by the Qualifying Fund Shareholder; (c) a description of all arrangements and understandings between such Qualifying Fund Shareholder and any other person or persons (naming such person or persons) pursuant to which the recommendation is being made; (d) the name, age, date of birth, business address and residence address of the person or persons being recommended; (e) such other information regarding each person recommended by such Qualifying Fund Shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated by the board; (f) whether the shareholder making the recommendation believes the person recommended would or would not be an "interested person" of the Fund, as defined in the Investment Company Act of 1940 (1940 Act);

and (g) the written consent of each person recommended to serve as a board member of the Fund if so nominated and elected/appointed.

The Nominating Committee may amend these procedures from time to time, including the procedures relating to the evaluation of nominees and the process for submitting recommendations to the Nominating Committee.

During the fiscal year ended July 31, 2021, the Audit Committee met three times; the Nominating Committee met once.

**Board role in risk oversight** The board, as a whole, considers risk management issues as part of its general oversight responsibilities throughout the year at regular board meetings, through regular reports that have been developed by management, in consultation with the board and its counsel. These reports address certain investment, valuation, liquidity and compliance matters. The board also may receive special written reports or presentations on a variety of risk issues (e.g., COVID-19 related issues), either upon the board's request or upon the investment manager's initiative. In addition, the Audit Committee of the board meets regularly with the investment manager's internal audit group to review reports on their examinations of functions and processes within Franklin Templeton that affect the Fund.

With respect to investment risk, the board receives regular written reports describing and analyzing the investment performance of the Fund. In addition, the portfolio managers of the Fund meet regularly with the board to discuss portfolio performance, including investment risk. To the extent that the Fund changes a particular investment strategy that could have a material impact on the Fund's risk profile, the board generally is consulted with respect to such change. To the extent that the Fund invests in certain complex securities, including derivatives, the board receives periodic reports containing information about exposure of the Fund to such instruments. In addition, the investment manager's investment risk personnel meet regularly with the board to discuss a variety of issues, including the impact on the Fund of the investment in particular securities or instruments, such as derivatives and commodities.

With respect to valuation, the Fund's administrator provides regular written reports to the board that enable the board to monitor the number of fair valued securities in a particular portfolio, the reasons for the fair valuation and the methodology used to arrive at the fair value. The board also reviews dispositional analysis information on the sale of securities that require special valuation considerations such as illiquid or fair valued securities. In addition, the Fund's Audit Committee reviews valuation procedures and results with the Fund's auditors in connection with such Committee's review of the results of the audit of the Fund's year-end financial statements.

With respect to liquidity risk, the board receives liquidity risk management reports under the Fund's Liquidity Risk Management (LRM) Program and reviews, no less frequently than annually, a written report prepared by the LRM Program Administrator that addresses, among other items, the operation of the LRM Program and assesses its adequacy and effectiveness of implementation as well as any material changes to the LRM Program.

With respect to compliance risks, the board receives regular compliance reports prepared by the investment manager's compliance group and meets regularly with the Fund's Chief Compliance Officer (CCO) to discuss compliance issues, including compliance risks. In accordance with SEC rules, the independent board members meet regularly in executive session with the CCO, and the Fund's CCO prepares and presents an annual written compliance report to the board. The Fund's board adopts compliance policies and procedures for the Fund and approves such procedures for the Fund's service providers. The compliance policies and procedures are specifically designed to detect and prevent violations of the federal securities laws.

The investment manager periodically provides an enterprise risk management presentation to the board to describe the way in which risk is managed on a complex-wide level. Such presentation covers such areas as investment risk, reputational risk, personnel risk, and business continuity risk.

**Board structure** Seventy-five percent of board members consist of independent board members who are not deemed to be "interested persons" by reason of their relationship with the Fund's management or otherwise as provided under the 1940 Act. While the Chairman of the Board is an interested person, the board is also served by a lead independent board member. The lead independent board member, together with independent counsel, reviews proposed agendas for board meetings and generally acts as a liaison with management with respect to questions and issues raised by the independent board members. The lead independent board member also presides at separate meetings of independent board members held in advance of each scheduled board meeting where various matters, including those being considered at such board meeting are discussed. It is believed such structure and activities assure that proper consideration is given at board meetings to matters deemed important to the Fund and its shareholders.

**Trustee qualifications** Information on the Fund's officers and board members appears above including information on the business activities of board members during the past five years and beyond. In addition to personal qualities, such as integrity, the role of an effective Fund board member inherently requires the ability to comprehend, discuss and critically analyze materials and issues presented in exercising judgments and reaching informed conclusions relevant to his or her duties and fiduciary obligations. The board believes

that the specific background of each board member evidences such ability and is appropriate to his or her serving on the Fund's board. As indicated, Harris J. Ashton has served as a chief executive officer of a NYSE-listed public corporation; Terrence J. Checki has served as a senior executive of a Federal Reserve Bank and has vast experience evaluating economic forces and their impact on markets, including emerging markets; Mary C. Choksi has an extensive background in asset management, including founding an investment management firm; Larry D. Thompson and Edith E. Holiday each have legal backgrounds, including high level legal positions with departments of the U.S. government; J. Michael Luttig has fifteen years of judicial experience as a Federal Appeals Court Judge and eleven years of experience as Executive Vice President and General Counsel of a major public company; Valerie M. Williams has over 35 years of audit and public accounting experience serving numerous global and multi-location companies in various industries; and Gregory E. Johnson and Rupert H. Johnson, Jr. are both high ranking executive officers of Franklin Templeton.

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## Fair Valuation

The Fund's board of trustees has delegated to the investment manager the task of ensuring that regulatory guidelines governing the fair valuation for securities are applied to the Fund. The Fund's administrator has formed a Valuation Committee (VC) to oversee these obligations. The VC oversees and administers the policies and procedures governing fair valuation determination of securities. The VC meets monthly to review and approve fair value reports and conduct other business, and meets whenever necessary to review potential significant market events and take appropriate steps to adjust valuations in accordance with established policies. The VC provides regular reports that document its activities to the board of trustees for its review and approval of pricing determinations at scheduled meetings.

The Fund's policies and procedures governing fair valuation determination of securities have been initially reviewed and approved by the board of trustees and any material amendments will also be reviewed and approved by the board. The investment manager's compliance staff, or another group within Franklin Templeton, conducts periodic reviews of compliance with the policies and provides at least annually a report to the board of trustees regarding the operation of the policies and any material changes recommended as a result of such review.

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## Proxy Voting Policies and Procedures

The board of trustees of the Fund has delegated the authority to vote proxies related to the portfolio securities held by the

Fund to the Fund's investment manager, in accordance with the Proxy Voting Policies and Procedures (Policies) adopted by the investment manager. The Policies are included in Appendix A. Shareholders may view the complete Policies online at [franklintempleton.com](http://franklintempleton.com). Copies of the Fund's proxy voting records are available online at [franklintempleton.com](http://franklintempleton.com) and posted on the SEC website at [www.sec.gov](http://www.sec.gov). The proxy voting records are updated each year by August 31 to reflect the most recent 12-month period ended June 30.

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## Management and Other Services

**Investment manager and services provided** The Fund's investment manager is Franklin Advisers, Inc. The investment manager is a wholly owned subsidiary of Resources, a publicly owned company engaged in the financial services industry through its subsidiaries. Charles B. Johnson (former Chairman and Director of Resources) and Rupert H. Johnson, Jr. are the principal shareholders of Resources.

The investment manager provides investment research and portfolio management services, and selects the securities for the Fund to buy, hold or sell. The investment manager also selects the brokers who execute the Fund's portfolio transactions. The investment manager provides periodic reports to the board, which reviews and supervises the investment manager's investment activities. To protect the Fund, the investment manager and its officers, directors and employees are covered by fidelity insurance.

The investment manager makes decisions for the Fund in accordance with its obligations as investment adviser to the Fund. From time to time, certain affiliates may request that the investment manager focus the Fund's investments on certain securities, strategies or markets or shift the Fund's strategy slightly to enhance its attractiveness to specific investors, which may create a conflict of interest. The investment manager may, but is not required to, focus or shift the Fund's investments in the manner requested provided that the investment manager believes that such investments are consistent with the Fund's stated investment goals and strategies and are in the best interests of the Fund and its shareholders. In addition, the investment manager and its affiliates manage numerous other investment companies and accounts. The investment manager may give advice and take action with respect to any of the other funds it manages, or for its own account, that may differ from action taken by the investment manager on behalf of the Fund. Similarly, with respect to the Fund, the investment manager is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the investment manager and access persons, as defined by applicable federal securities laws, may buy or sell for its or their own account or for the accounts of any other fund. The investment manager is not obligated to refrain from investing in securities held by the Fund or other funds it manages.

The Fund, its investment manager and principal underwriter have each adopted a code of ethics, as required by federal securities laws. Under the code of ethics, employees who are designated as access persons may engage in personal securities transactions, including transactions involving securities that are being considered for the Fund or that are currently held by the Fund, subject to certain general restrictions and procedures. The personal securities transactions of access persons of the Fund, its investment manager and principal underwriter will be governed by the code of ethics. The code of ethics is on file with, and available from, the SEC.

**Management fees** The Fund pays the investment manager a fee equal to an annual rate based on the month-end net assets of the Fund as follows:

- 0.625% of the value of net assets up to and including \$100 million;
- 0.500% of the value of net assets over \$100 million and not over \$250 million;
- 0.450% of the value of net assets over \$250 million and not over \$7.5 billion;
- 0.440% of the value of net assets over \$7.5 billion and not over \$10 billion;

- 0.430% of the value of net assets over \$10 billion and not over \$12.5 billion;
- 0.420% of the value of net assets over \$12.5 billion and not over \$15 billion; and
- 0.400% of the value of net assets in excess of \$15 billion.

The fee is computed at the close of business on the last business day of the month preceding the month in which the payment is being made, according to the terms of the management agreement. Each class of the Fund's shares pays its proportionate share of the fee.

For the last three fiscal years ended July 31, the Fund paid the following management fees:

	Management Fees Earned (\$)	Management Fees Waived / Expenses Reimbursed (\$)	Management Fee Paid (After Waivers / Expenses Reimbursed) (\$)
2021	6,127,282	20,376	6,106,906
2020	4,689,706	35,207	4,654,499
2019	3,744,620	15,992	3,728,628

**Portfolio managers** This section reflects information about the portfolio managers as of July 31, 2021.

The following table shows the number of other accounts managed by the portfolio managers and the total assets in the accounts managed within each category:

Name	Number of Other Registered Investment Companies Managed <sup>1</sup>	Assets of Other Registered Investment Companies Managed (x \$1 million) <sup>1</sup>	Number of Other Pooled Investment Vehicles Managed <sup>2</sup>	Assets of Other Pooled Investment Vehicles Managed (x \$1 million) <sup>2</sup>	Number of Other Accounts Managed <sup>2</sup>	Assets of Other Accounts Managed (x \$1 million) <sup>2</sup>
Fredrick G. Fromm	1	252.7	2	900.9	0	N/A
Stephen M. Land	1	252.7	2	900.9	0	N/A

1. These figures represent registered investment companies other than the Fund.

2. The various pooled investment vehicles and accounts listed are managed by a team of investment professionals. Accordingly, the portfolio managers listed would not be solely responsible for managing such listed amounts.

Portfolio managers that provide investment services to the Fund may also provide services to a variety of other investment products, including other funds, institutional accounts and private accounts. The advisory fees for some of such other products and accounts may be different than that charged to the Fund but does not include performance based compensation. This may result in fees that are higher (or lower) than the advisory fees paid by the Fund. As a matter of policy, each fund or account is managed solely for the benefit of the beneficial owners thereof. As discussed below, the separation of the trading execution function from the portfolio management function and the application of objectively based trade allocation procedures help to mitigate potential conflicts

of interest that may arise as a result of the portfolio managers managing accounts with different advisory fees.

**Conflicts.** The management of multiple funds, including the Fund, and accounts may also give rise to potential conflicts of interest if the funds and other accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. The investment manager seeks to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment strategies that are used in connection with the management of the Fund.

Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar portfolios, which may minimize the potential for conflicts of interest. As noted above, the separate management of the trade execution and valuation functions from the portfolio management process also helps to reduce potential conflicts of interest. However, securities selected for funds or accounts other than the Fund may outperform the securities selected for the Fund. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one fund or other account, the Fund may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and other accounts. The investment manager seeks to manage such potential conflicts by using procedures intended to provide a fair allocation of buy and sell opportunities among funds and other accounts.

The structure of a portfolio manager's compensation may give rise to potential conflicts of interest. A portfolio manager's base pay and bonus tend to increase with additional and more complex responsibilities that include increased assets under management. As such, there may be an indirect relationship between a portfolio manager's marketing or sales efforts and his or her bonus.

Finally, the management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the funds and the investment manager have adopted a code of ethics which they believe contains provisions designed to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the code of ethics addresses all individual conduct that could result in conflicts of interest.

The investment manager and the Fund have adopted certain compliance procedures that are designed to address these, and other, types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

*Compensation.* The investment manager seeks to maintain a compensation program that is competitively positioned to attract, retain and motivate top-quality investment professionals. Portfolio managers receive a base salary, a cash incentive bonus opportunity, an equity compensation opportunity, and a benefits package. Portfolio manager compensation is reviewed annually, and the level of compensation is based on individual performance, the salary range for a portfolio manager's level of responsibility and Franklin Templeton guidelines. Portfolio managers are provided no financial incentive to favor one fund or account over another. Each portfolio manager's compensation consists of the following three elements:

**Base salary** Each portfolio manager is paid a base salary.

**Annual bonus** Annual bonuses are structured to align the interests of the portfolio manager with those of the Fund's shareholders. Each portfolio manager is eligible to receive an annual bonus. Bonuses generally are split between cash (50% to 65%) and restricted shares of Resources stock (17.5% to 25%) and mutual fund shares (17.5% to 25%). The deferred equity-based compensation is intended to build a vested interest of the portfolio manager in the financial performance of both Resources and mutual funds advised by the investment manager. The bonus plan is intended to provide a competitive level of annual bonus compensation that is tied to the portfolio manager achieving consistently strong investment performance, which aligns the financial incentives of the portfolio manager and Fund shareholders. The Chief Investment Officer of the investment manager and/or other officers of the investment manager, with responsibility for the Fund, have discretion in the granting of annual bonuses to portfolio managers in accordance with Franklin Templeton guidelines. The following factors are generally used in determining bonuses under the plan:

- *Investment performance.* Primary consideration is given to the historic investment performance over the 1, 3 and 5 preceding years of all accounts managed by the portfolio manager. The pre-tax performance of each fund managed is measured relative to a relevant peer group and/or applicable benchmark as appropriate.
- *Non-investment performance.* The more qualitative contributions of the portfolio manager to the investment manager's business and the investment management team, including professional knowledge, productivity, responsiveness to client needs and communication, are evaluated in determining the amount of any bonus award.
- *Responsibilities.* The characteristics and complexity of funds managed by the portfolio manager are factored in the investment manager's appraisal.

#### **Additional long-term equity-based compensation**

Portfolio managers may also be awarded restricted shares or units of Resources stock or restricted shares or units of one or more mutual funds. Awards of such deferred equity-based compensation typically vest over time, so as to create incentives to retain key talent.

**Benefits** Portfolio managers also participate in benefit plans and programs available generally to all employees of the investment manager.

*Ownership of Fund shares.* The investment manager has a policy of encouraging portfolio managers to invest in the funds they manage. Exceptions arise when, for example, a fund is closed to new investors or when tax considerations or jurisdictional constraints cause such an investment to be inappropriate for the portfolio manager. The following is the

dollar range of Fund shares beneficially owned by the portfolio managers (such amounts may change from time to time):

Portfolio Manager	Dollar Range of Fund Shares Beneficially Owned
Stephen M. Land	\$100,001 - \$500,000
Frederick G. Fromm	\$50,001 - \$100,000

**Administrator and services provided** Franklin Templeton Services, LLC (FT Services) has an agreement with the investment manager to provide certain administrative services and facilities for the Fund. FT Services is an indirect, wholly owned subsidiary of Resources and is an affiliate of the Fund's investment manager and principal underwriter.

The administrative services FT Services provides include preparing and maintaining books, records, and tax and financial reports, and monitoring compliance with regulatory requirements.

**Administration fees** The investment manager pays FT Services a monthly fee equal to an annual rate of:

- 0.150% of the Fund's average daily net assets up to and including \$200 million;
- 0.135% of average daily net assets over \$200 million, up to and including \$700 million;
- 0.100% of average daily net assets over \$700 million, up to and including \$1.2 billion; and
- 0.075% of average daily net assets over \$1.2 billion.

For the last three fiscal years ended July 31, the investment manager paid FT Services the following administration fees:

	Administration Fees Paid (After Waivers / Expenses Reimbursed) (\$)
2021	1,551,002
2020	1,256,880
2019	1,050,350

**Shareholder servicing and transfer agent** Franklin Templeton Investor Services, LLC (Investor Services) is the Fund's shareholder servicing agent and acts as the Fund's transfer agent and dividend-paying agent. Investor Services is located at 3344 Quality Drive, Rancho Cordova, CA 95670-7313. Please send all correspondence to Investor Services at P.O. Box 997151, Sacramento, CA 95899-7151.

Investor Services receives a fee for servicing Fund shareholder accounts. The Fund also will reimburse Investor Services for certain out-of-pocket expenses necessarily incurred in servicing the shareholder accounts in accordance with the terms of its servicing contract with the Fund.

In addition, Investor Services may make payments to financial intermediaries that provide administrative services to defined benefit plans. Investor Services does not seek reimbursement by the Fund for such payments.

For all classes of shares of the Fund, except for Class R6 shares, Investor Services may also pay servicing fees, that will be reimbursed by the Fund, in varying amounts to certain financial institutions (to help offset their costs associated with client account maintenance support, statement preparation and transaction processing) that (i) maintain omnibus accounts with the Fund in the institution's name on behalf of numerous beneficial owners of Fund shares who are either direct clients of the institution or are participants in an IRS-recognized tax-deferred savings plan (including Employer Sponsored Retirement Plans and Section 529 Plans) for which the institution, or its affiliate, provides participant level recordkeeping services (called "Beneficial Owners"); or (ii) provide support for Fund shareholder accounts by sharing account data with Investor Services through the National Securities Clearing Corporation (NSCC) networking system. In addition to servicing fees received from the Fund, these financial institutions also may charge a fee for their services directly to their clients. Investor Services will also receive a fee from the Fund (other than for Class R6 shares) for services provided in support of Beneficial Owners and NSCC networking system accounts.

**Sub-administrator** JPMorgan Chase Bank, N.A. (JPMorgan) has an agreement with FT Services to provide certain sub-administrative services for the Fund. The administrative services JPMorgan provides include, but are not limited to, certain fund accounting, financial reporting, tax, corporate governance and compliance and legal administration services.

**Securities lending agent** The board of trustees has approved the Fund's participation in a securities lending program. Under the securities lending program, The Bank of New York Mellon serves as the Fund's securities lending agent ("Securities Lending Agent").

For the fiscal year ended July 31, 2021, the income earned by the Fund as well as the fees and/or compensation paid by the Fund (in dollars) pursuant to a securities lending agreement between the Trust with respect to the Fund and the Securities Lending Agent were as follows (figures may differ from those shown in shareholder reports due to time of availability and use of estimates):



	(\$)
<b>Gross Income earned by the Fund from securities lending activities</b>	942,328
<i>Fees and/or compensation paid by the Fund for securities lending activities and related services</i>	
Fees paid to Securities Lending Agent from revenue split	75,383
Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in a revenue split	-
Administrative fees not included in a revenue split	-
Indemnification fees not included in a revenue split	-
Rebate (paid to borrower)	-
Other fees not included above	7,067
<b>Aggregate fees/compensation paid by the Fund for securities lending activities</b>	<u>82,450</u>
<b>Net income from securities lending activities</b>	<u>859,878</u>

For the fiscal year ended July 31, 2021, the Securities Lending Agent provided the following services to the Fund in connection with its securities lending activities: (i) entering into loans subject to guidelines or restrictions provided by the Fund; (ii) establishing and maintaining collateral accounts; (iii) monitoring daily the value of the loaned securities and collateral; (iv) seeking additional collateral as necessary from borrowers, and returning collateral to borrowers; (v) receiving and holding collateral from borrowers, and facilitating the investment and reinvestment of cash collateral; (vi) negotiating loan terms; (vii) selecting securities to be loaned subject to guidelines or restrictions provided by the Fund; (viii) recordkeeping and account servicing; (ix) monitoring dividend and proxy activity relating to loaned securities; and (x) arranging for return of loaned securities to the Fund at loan termination.

**Custodian** The Bank of New York Mellon, Mutual Funds Division, 100 Church Street, New York, NY 10286, acts as custodian of the Fund's securities and other assets. As foreign custody manager, the bank selects and monitors foreign sub-custodian banks, selects and evaluates non-compulsory foreign depositories, and furnishes information relevant to the selection of compulsory depositories.

**Independent Registered Public Accounting Firm** PricewaterhouseCoopers LLP, 405 Howard Street, Suite 600, San Francisco, CA 94105, is the Fund's independent registered public accounting firm. The independent registered public accounting firm audits the financial statements included in the Fund's Annual Report to shareholders.

## Portfolio Transactions

The investment manager selects brokers and dealers to execute the Fund's portfolio transactions in accordance with criteria set forth in the management agreement and any directions that the board may give.

When placing a portfolio transaction, the trading department of the investment manager seeks to obtain "best execution" -- the best combination of high quality transaction execution services, taking into account the services and products to be provided by the broker or dealer, and low relative commission rates with the view of maximizing value for the Fund and its other clients. For most transactions in equity securities, the amount of commissions paid is negotiated between the investment manager and the broker executing the transaction. The determination and evaluation of the reasonableness of the brokerage commissions paid are based to a large degree on the professional opinions of the persons within the trading department of the investment manager responsible for placement and review of the transactions. These opinions are based on the experience of these individuals in the securities industry and information available to them about the level of commissions being paid by other institutional investors. The investment manager may also place orders to buy and sell equity securities on a principal rather than agency basis if the investment manager believes that trading on a principal basis will provide best execution. Orders for fixed income securities are ordinarily placed with market makers on a net basis, without any brokerage commissions. Purchases of portfolio securities from underwriters will include a commission or concession paid to the underwriter, and purchases from dealers will include a spread between the bid and ask price.

The investment manager may cause the Fund to pay certain brokers commissions that are higher than those another broker may charge, if the investment manager determines in good faith that the amount paid is reasonable in relation to the value of the brokerage and research services it receives. This may be viewed in terms of either the particular transaction or the investment manager's overall responsibilities to client accounts over which it exercises investment discretion. The brokerage commissions that are used to acquire services other than brokerage are known as "soft dollars." Research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). To the extent permitted by applicable law, the investment manager may use soft dollars to acquire both proprietary and third-party research.

The research services that brokers may provide to the investment manager include, among others, supplying information about particular companies, markets, countries, or local, regional, national or transnational economies, statistical data, quotations and other securities pricing information, and other information that provides lawful and appropriate assistance to the investment manager in carrying out its investment advisory responsibilities. These services may not always directly benefit the Fund. They must, however, be of value to the investment manager in carrying out its overall responsibilities to its clients.

It is not possible to place an accurate dollar value on the special execution or on the research services the investment manager receives from dealers effecting transactions in portfolio securities. The allocation of transactions to obtain additional research services allows the investment manager to supplement its own research and analysis activities and to receive the views and information of individuals and research staffs from many securities firms. The receipt of these products and services does not reduce the investment manager's research activities in providing investment advice to the Fund.

As long as it is lawful and appropriate to do so, the investment manager and its affiliates may use this research and data in their investment advisory capacities with other clients.

Because Franklin Distributors, LLC (Distributors) is a member of the Financial Industry Regulatory Authority (FINRA), it may sometimes receive certain fees when the Fund tenders portfolio securities pursuant to a tender-offer solicitation. To recapture brokerage for the benefit of the Fund, any portfolio securities tendered by the Fund will be tendered through Distributors if it is legally permissible to do so. In turn, the next management fee payable to the investment manager will be reduced by the amount of any fees received by Distributors in cash, less any costs and expenses incurred in connection with the tender.

If purchases or sales of securities of the Fund and one or more other investment companies or clients supervised by the investment manager are considered at or about the same time, transactions in these securities will be allocated among the several investment companies and clients in a manner deemed equitable to all by the investment manager, taking into account the respective sizes of the accounts and the amount of securities to be purchased or sold. In some cases this procedure could have a detrimental effect on the price or volume of the security so far as the Fund is concerned. In other cases it is possible that the ability to participate in volume transactions may improve execution and reduce transaction costs to the Fund.

For the last three fiscal years ended July 31, the Fund paid the following brokerage commissions:

Brokerage Commissions (\$)		
2021	2020	2019
659,136	749,953	968,679

For the fiscal year ended July 31, 2021, the Fund paid brokerage commissions of \$659,136 from aggregate portfolio transactions of \$1,541,234 to brokers who provided research services.

As of July 31, 2021, the Fund did not own securities of its regular regular broker-dealers.

## Distributions and Taxes

The following discussion is a summary of certain additional tax considerations generally affecting the Fund and its shareholders, some of which may not be described in the Fund's prospectus. No attempt is made to present a complete detailed explanation of the tax treatment of the Fund or its shareholders. The discussions here and in the prospectus are not intended as a substitute for careful tax planning.

The following discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations in effect on the date of this SAI, including any amendments to the Code resulting from 2017 legislation commonly known as the Tax Cuts and Jobs Act ("TCJA"). Future legislative, regulatory or administrative changes, including any provisions of law that sunset and thereafter no longer apply, or court decisions may significantly change the tax rules applicable to the Fund and its shareholders. Any of these changes or court decisions may have a retroactive effect. Where indicated below, IRS refers to the United States Internal Revenue Service.

**This is for general information only and not tax advice. All investors should consult their own tax advisors as to the federal, state, local and foreign tax provisions applicable to them.**

**Multi-class distributions** The Fund calculates income dividends and capital gain distributions the same way for each class. The amount of any income dividends per share will differ, however, generally due to any differences in the distribution and service (Rule 12b-1) fees applicable to the classes and Class R6 transfer agency fees.

**Distributions** The Fund intends to declare and pay income dividends at least annually from its net investment income. Capital gains, if any, may be paid at least annually. The Fund may distribute income dividends and capital gains more frequently, if necessary or appropriate in the board's discretion. The amount of any distribution will vary, and there is no guarantee the Fund will pay either income dividends or capital gain distributions. Your income dividends and capital gain distributions will be automatically reinvested in additional shares at net asset value unless you elect to receive them in cash. Distributions declared in December to shareholders of record in such month and paid in January are taxable as if they were paid in December.

*Distributions of net investment income.* The Fund receives income generally in the form of dividends and interest on its investments. The Fund may also recognize ordinary income from other sources, including, but not limited to, certain gains on foreign currency-related transactions. This income, less expenses incurred in the operation of the Fund, constitutes the Fund's net investment income from which dividends may be paid to you. If you are a taxable investor, any income

dividends (other than qualified dividends) the Fund pays are taxable to you at ordinary income tax rates. A portion of the income dividends paid to you may be qualified dividends eligible to be taxed at reduced rates.

*Distributions of capital gains.* The Fund may realize capital gains and losses on the sale of its portfolio securities.

Distributions of short-term capital gains are taxable to you as ordinary income. Distributions of long-term capital gains are taxable to you as long-term capital gains, regardless of how long you have owned your shares in the Fund. Any net capital gains realized by the Fund (in excess of any available capital loss carryovers) generally are distributed once each year, and may be distributed more frequently, if necessary, to reduce or eliminate excise or income taxes on the Fund.

Capital gain dividends and any net long-term capital gains you realize from the sale of Fund shares are generally taxable at the reduced long-term capital gains tax rates. For single individuals with taxable income not in excess of \$40,400 in 2021 (\$80,800 for married individuals filing jointly), the long-term capital gains tax rate is 0%. For single individuals and joint filers with taxable income in excess of these amounts but not more than \$445,850 or \$501,600, respectively, the long-term capital gains tax rate is 15%. The rate is 20% for single individuals with taxable income in excess of \$445,850 and married individuals filing jointly with taxable income in excess of \$501,600. The taxable income thresholds are adjusted annually for inflation. An additional 3.8% Medicare tax may also be imposed as discussed below.

*Returns of capital.* If the Fund's distributions exceed its earnings and profits (i.e., generally, its taxable income and realized capital gains) for a taxable year, all or a portion of the distributions made in that taxable year may be characterized as a return of capital to you. A return of capital distribution will generally not be taxable, but will reduce the cost basis in your Fund shares and will result in a higher capital gain or in a lower capital loss when you sell your shares. Any return of capital in excess of the basis in your Fund shares, however, will be taxable as a capital gain. In the case of a non-calendar year fund, earnings and profits are first allocated to distributions made on or before December 31 of its taxable year and then to distributions made thereafter. The effect of this provision is to "push" returns of capital into the next calendar year.

*Undistributed capital gains.* The Fund may retain or distribute to shareholders its net capital gain for each taxable year. The Fund currently intends to distribute net capital gains. If the Fund elects to retain its net capital gain, the Fund will be taxed thereon (except to the extent of any available capital loss carryovers) at the applicable corporate tax rate. If the Fund elects to retain its net capital gain, it is expected that the Fund also will elect to have shareholders treated as if each received a distribution of its pro rata share of such gain, with

the result that each shareholder will be required to report its pro rata share of such gain on its tax return as long-term capital gain, will receive a refundable tax credit for its pro rata share of tax paid by the Fund on the gain, and will increase the tax basis for its shares by an amount equal to the deemed distribution less the tax credit.

**Investments in foreign securities** The following paragraphs describe tax considerations that are applicable to the Fund's investments in foreign securities.

*Foreign income tax.* Investment income received by the Fund from sources within foreign countries may be subject to foreign income tax withheld at the source and the amount of tax withheld generally will be treated as an expense of the Fund. The United States has entered into tax treaties with many foreign countries, which entitle the Fund to a reduced rate of, or exemption from, tax on such income. Some countries require the filing of a tax reclaim or other forms to receive the benefit of the reduced tax rate; whether or when the Fund will receive the tax reclaim is within the control of the individual country. Information required on these forms may not be available such as shareholder information; therefore, the Fund may not receive the reduced treaty rates or potential reclaims. Other countries have conflicting and changing instructions and restrictive timing requirements which may cause the Fund not to receive the reduced treaty rates or potential reclaims. Other countries may subject capital gains realized by the Fund on sale or disposition of securities of that country to taxation. These and other factors may make it difficult for the Fund to determine in advance the effective rate of tax on its investments in certain countries. Under certain circumstances, the Fund may elect to pass-through certain eligible foreign income taxes paid by the Fund to shareholders, although it reserves the right not to do so. If the Fund makes such an election and obtains a refund of foreign taxes paid by the Fund in a prior year, the Fund may be eligible to reduce the amount of foreign taxes reported by the Fund to its shareholders, generally by the amount of the foreign taxes refunded, for the year in which the refund is received. Certain foreign taxes imposed on the Fund's investments, such as a foreign financial transaction tax, may not be creditable against U.S. income tax liability or eligible for pass through by the Fund to its shareholders.

*Pass-through of foreign taxes.* The Fund may be subject to foreign withholding taxes on income or gains from its investments in certain foreign securities. If more than 50% of the Fund's total assets at the end of a fiscal year is invested in foreign securities, the Fund may elect to pass through to you your pro rata share of the foreign taxes paid by the Fund. Both the Fund and you must meet certain holding period requirements in order for you to claim a credit for foreign taxes on foreign source dividends. The taxes will not be creditable unless the stock was held by the Fund for at least 16 days during the 31-day period beginning 15 days before the stock becomes ex-dividend (46-day holding period in

respect of dividends on preferred stocks attributable to a period exceeding 366 days). Similarly, you must hold your Fund shares for at least 16 days during the 31-day period beginning 15 days before the Fund distribution goes ex-dividend. If the Fund elects to pass through foreign taxes, the Fund may report more taxable income to you than it actually distributes because the Fund is required to include the foreign taxes passed through to you as additional dividend income. You will then be entitled either to deduct your share of these taxes in computing your taxable income, or to claim a foreign tax credit for these taxes against your U.S. federal income tax (subject to limitations for certain shareholders). The use of qualified dividends may reduce the otherwise available foreign tax credits on your federal income tax return. The Fund will provide you with the information necessary to claim this deduction or credit on your income tax return if it makes this election.

*Effect of foreign debt investments on distributions.* Most foreign exchange gains realized on the sale of debt securities are treated as ordinary income by the Fund. Similarly, foreign exchange losses realized on the sale of debt securities generally are treated as ordinary losses. These gains when distributed are taxable to you as ordinary income, and any losses reduce the Fund's ordinary income otherwise available for distribution to you. This treatment could increase or decrease the Fund's ordinary income distributions to you, and may cause some or all of the Fund's previously distributed income to be classified as a return of capital.

*PFIC securities.* The Fund may invest in securities of foreign entities that could be deemed for tax purposes to be passive foreign investment companies (PFICs). In general, a foreign company is classified as a PFIC if at least one-half of its assets constitute investment-type assets or 75% or more of its gross income is investment-type income. When investing in PFIC securities, the Fund intends to mark-to-market these securities and recognize any gains at the end of its fiscal and excise (described below) tax years. Deductions for losses are allowable only to the extent of any current or previously recognized gains. These gains (reduced by allowable losses) are treated as ordinary income that the Fund is required to distribute, even though it has not sold the securities. Foreign companies are not required to identify themselves as PFICs. Due to various complexities in identifying PFICs, the Fund can give no assurances that it will be able to identify portfolio securities in foreign corporations that are PFICs in time for the Fund to make a mark-to-market election. If the Fund is unable to identify an investment as a PFIC and thus does not make a mark-to-market election, the Fund may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by the Fund to its shareholders. Additional charges in the nature of interest may be imposed on the Fund in respect of deferred taxes arising from such distributions or gains.

The Fund's designation of a foreign security as a PFIC security will cause the income dividends of any designated securities to fall outside of the definition of qualified foreign corporation dividends. These dividends generally will not qualify for the reduced rate of taxation on qualified dividends when distributed to you by the Fund.

#### **Information on the amount and tax character of distributions**

The Fund will inform you of the amount of your income dividends and capital gain distributions at the time they are paid, and will advise you of their tax status for federal income tax purposes shortly after the close of each calendar year. The amount of income dividends reported by the Fund to shareholders, consisting of qualified dividend income (which is relevant to U.S. investors) and interest-related and short-term capital gain dividends (which are relevant to non-U.S. investors) may exceed the total amount of income dividends paid. Such characterization will not result in more income being reported to you, but rather will allow the Fund to report dividends in a manner that is more tax efficient to both U.S. and non-U.S. investors. If you have not owned your Fund shares for a full year, the Fund may report and distribute to you:

- as an ordinary income, qualified dividend, or capital gain dividend (a distribution of net long-term capital gains) if you are a U.S. investor, or
- as an interest-related, short-term capital gain, or capital gain dividend if you are a non-U.S. investor

a percentage of income that may not be equal to the actual amount of each type of income earned during the period of your investment in the Fund.

The Fund may at times find it necessary to reclassify income after it issues your tax reporting statement. This can result from rules in the Code that effectively prevent regulated investment companies such as the Fund from ascertaining with certainty until after the calendar year end the final amount and character of distributions the Fund has received on its investments during the prior calendar year. Prior to issuing your statement, the Fund makes every effort to identify reclassifications of income to reduce the number of corrected forms mailed to shareholders. However, when necessary, the Fund will send you a corrected tax reporting statement to reflect reclassified information. If you receive a corrected tax reporting statement, use the information on this statement, and not the information on your original statement, in completing your tax returns.

**Avoid "buying a dividend"** At the time you purchase your Fund shares, the Fund's net asset value may reflect undistributed income, undistributed capital gains, or net unrealized appreciation in the value of the portfolio securities held by the Fund. For taxable investors, a subsequent distribution to you of such amounts, although constituting a return of your investment, would be taxable. This tax

treatment is required even if you reinvest your distributions in additional Fund shares. Buying shares in the Fund just before it declares an income dividend or capital gain distribution is sometimes known as “buying a dividend.” For example, if you buy 500 shares in a fund on December 10th at the fund's net asset value (NAV) of \$10 per share, and the fund makes a distribution on December 15th of \$1 per share, your shares will then have an NAV of \$9 per share (disregarding any change in the fund's market value), and you will have to pay a tax on what is essentially a return of your investment of \$1 per share.

#### **Election to be taxed as a regulated investment company**

The Fund has elected to be treated as a regulated investment company under Subchapter M of the Code. It has qualified as a regulated investment company for its most recent fiscal year, and intends to continue to qualify during the current fiscal year. As a regulated investment company, the Fund generally pays no federal income tax on the income and gains it distributes to you. In order to qualify for treatment as a regulated investment company, the Fund must satisfy the requirements described below.

*Distribution requirement.* The Fund must distribute an amount equal to the sum of at least 90% of its investment company taxable income and 90% of its net tax-exempt income, if any, for the tax year (including, for purposes of satisfying this distribution requirement, certain distributions made by the Fund after the close of its taxable year that are treated as made during such taxable year).

*Income requirement.* The Fund must derive at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts) derived from its business of investing in such stock, securities or currencies and net income derived from qualified publicly traded partnerships (QPTPs).

*Asset diversification test.* The Fund must satisfy the following asset diversification test at the close of each quarter of the Fund's tax year: (1) at least 50% of the value of the Fund's assets must consist of cash and cash items, U.S. government securities, securities of other regulated investment companies, and securities of other issuers (as to which the Fund has not invested more than 5% of the value of the Fund's total assets in securities of an issuer and as to which the Fund does not hold more than 10% of the outstanding voting securities of the issuer); and (2) no more than 25% of the value of the Fund's total assets may be invested in the securities of any one issuer (other than U.S. government securities or securities of other regulated investment companies) or of two or more issuers which the Fund controls and which are engaged in the same or similar trades or businesses or, in the securities of one or more QPTPs.

In some circumstances, the character and timing of income realized by the Fund for purposes of the income requirement or the identification of the issuer for purposes of the asset diversification test is uncertain under current law with respect to a particular investment, and an adverse determination or future guidance by the IRS with respect to such type of investment may adversely affect the Fund's ability to satisfy these requirements. In other circumstances, the Fund may be required to sell portfolio holdings in order to meet the income requirement, distribution requirement, or asset diversification test, which may have a negative impact on the Fund's income and performance. In lieu of potential disqualification, the Fund is permitted to pay a tax for certain failures to satisfy the asset diversification test or income requirement, which, in general, are limited to those due to reasonable cause and not willful neglect.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to tax at the applicable corporate tax rate without any deduction for dividends paid to shareholders, and the dividends would be taxable to the shareholders as ordinary income (or possibly as qualified dividend income) to the extent of the Fund's current and accumulated earnings and profits. Failure to qualify as a regulated investment company, subject to savings provisions for certain qualification failures, which, in general, are limited to those due to reasonable cause and not willful neglect, would thus have a negative impact on the Fund's income and performance. In that case, the Fund would be liable for federal, and possibly state, corporate taxes on its taxable income and gains, and distributions to you would be taxed as dividend income to the extent of the Fund's earnings and profits. Even if such savings provisions apply, the Fund may be subject to a monetary sanction of \$50,000 or more. Moreover, the board reserves the right not to maintain the qualification of the Fund as a regulated investment company if it determines such a course of action to be beneficial to shareholders.

**Capital loss carryovers** The capital losses of the Fund, if any, do not flow through to shareholders. Rather, the Fund may use its capital losses, subject to applicable limitations, to offset its capital gains without being required to pay taxes on or distribute to shareholders such gains that are offset by the losses. If the Fund has a "net capital loss" (that is, capital losses in excess of capital gains), the excess (if any) of the Fund's net short-term capital losses over its net long-term capital gains is treated as a short-term capital loss arising on the first day of the Fund's next taxable year, and the excess (if any) of the Fund's net long-term capital losses over its net short-term capital gains is treated as a long-term capital loss arising on the first day of the Fund's next taxable year. Any such net capital losses of the Fund that are not used to offset capital gains may be carried forward indefinitely, subject to

certain limitations, to reduce any future capital gains realized by the Fund in succeeding taxable years.

### Excise tax distribution requirements

*Required distributions.* To avoid federal excise taxes, the Code requires the Fund to distribute to you by December 31 of each year, at a minimum, the following amounts:

- 98% of its taxable ordinary income earned during the calendar year;
- 98.2% of its capital gain net income earned during the 12-month period ending October 31; and
- 100% of any undistributed amounts of these categories of income or gain from the prior year.

The Fund intends to declare and pay these distributions in December (or to pay them in January, in which case you must treat them as received in December), but can give no assurances that its distributions will be sufficient to eliminate all taxes.

*Tax reporting for income and excise tax years.* Because the periods for measuring a regulated investment company's income are different for income (determined on a fiscal year basis) and excise tax years (determined as noted above), special rules are required to calculate the amount of income earned in each period, and the amount of earnings and profits needed to support that income. For example, if the Fund uses the excise tax period ending on October 31 as the measuring period for calculating and paying out capital gain net income and realizes a net capital loss between November 1 and the end of the Fund's fiscal year, the Fund may calculate its earnings and profits without regard to such net capital loss in order to make its required distribution of capital gain net income for excise tax purposes. The Fund also may elect to treat part or all of any "qualified late year loss" as if it had been incurred in the succeeding taxable year in determining the Fund's taxable income, net capital gain, net short-term capital gain, and earnings and profits. The effect of this election is to treat any such "qualified late year loss" as if it had been incurred in the succeeding taxable year, which may change the timing, amount, or characterization of Fund distributions.

A "qualified late year loss" includes (i) any net capital loss incurred after October 31 of the current taxable year, or, if there is no such loss, any net long-term capital loss or any net short-term capital loss incurred after October 31 of the current taxable year ("post-October capital losses"), and (ii) the sum of (1) the excess, if any, of (a) specified losses incurred after October 31 of the current taxable year, over (b) specified gains incurred after October 31 of the current taxable year and (2) the excess, if any, of (a) ordinary losses incurred after December 31 of the current taxable year, over (b) the ordinary income incurred after December 31 of the current taxable

year. The terms "specified losses" and "specified gains" mean ordinary losses and gains from the sale, exchange, or other disposition of property (including the termination of a position with respect to such property) foreign currency losses and gains, and losses and gains resulting from holding stock in a passive foreign investment company (PFIC) for which a market-to-market election is in effect. The terms "ordinary losses" and "ordinary income" mean other ordinary losses and income that are not described in the preceding sentence. Special rules apply to a fund with a fiscal year ending in November or December that elects to use its taxable year for determining its capital gain net income for excise tax purposes. The Fund may only elect to treat any post-October capital loss, specified gains and specified losses incurred after October 31 as if it had been incurred in the succeeding year in determining its taxable income for the current year.

Because these rules are not entirely clear, the Fund may be required to interpret the "qualified late-year loss" and other rules relating to these different year-ends to determine its taxable income and capital gains. The Fund's reporting of income and its allocation between different taxable and excise tax years may be challenged by the IRS, possibly resulting in adjustments in the income reported by the Fund on its tax returns and/or by the Fund to you on your year-end tax statements.

**Medicare tax** An additional 3.8% Medicare tax is imposed on net investment income earned by certain individuals, estates and trusts. "Net investment income," for these purposes, means investment income, including ordinary dividends and capital gain distributions received from the Fund and net gains from redemptions or other taxable dispositions of Fund shares, reduced by the deductions properly allocable to such income. In the case of an individual, the tax will be imposed on the lesser of (1) the shareholder's net investment income or (2) the amount by which the shareholder's modified adjusted gross income exceeds \$250,000 (if the shareholder is married and filing jointly or a surviving spouse), \$125,000 (if the shareholder is married and filing separately) or \$200,000 (in any other case). Any liability for this additional Medicare tax is reported by you on, and paid with, your federal income tax return.

**Sales of Fund shares** Sales and exchanges of Fund shares are generally taxable transactions for federal and state income tax purposes. If you sell your Fund shares, or exchange them for shares of a different Franklin Templeton fund, you are required to report any gain or loss on your sale or exchange. If you owned your shares as a capital asset, any gain or loss that you realize is a capital gain or loss, and is long-term or short-term, depending on how long you owned your shares. Under current law, shares held one year or less are short-term and shares held more than one year are long-term. The conversion of shares of one class into another class of the same fund is not a taxable exchange for federal income tax purposes. Capital losses in any year are

deductible only to the extent of capital gains plus, in the case of a noncorporate taxpayer, \$3,000 of ordinary income.

*Sales at a loss within six months of purchase.* Any loss incurred on the sale or exchange of Fund shares owned for six months or less is treated as a long-term capital loss to the extent of any long-term capital gains distributed to you by the Fund on those share.

*Wash sales.* All or a portion of any loss that you realize on the sale or exchange of your Fund shares will be disallowed to the extent that you buy other shares in the Fund (through reinvestment of dividends or otherwise) within 30 days before or after your sale or exchange. Any loss disallowed under these rules will be added to your tax basis in the new shares.

*Deferral of basis.* In reporting gain or loss on the sale of your Fund shares, you may be required to adjust your basis in the shares you sell under the following circumstances:

IF:

- In your original purchase of Fund shares, you paid a sales charge and received a reinvestment right (the right to reinvest your sales proceeds at a reduced or with no sales charge), and
- You sell some or all of your original shares within 90 days of their purchase, and
- You reinvest the sales proceeds in the Fund or in another Franklin Templeton fund by January 31 of the calendar year following the calendar year in which the disposition of the original shares occurred, and the sales charge that would otherwise apply is reduced or eliminated;

THEN: In reporting any gain or loss on your sale, all or a portion of the sales charge that you paid for your original shares is excluded from your tax basis in the shares sold and added to your tax basis in the new shares.

*Reportable transactions.* Under Treasury regulations, if a shareholder recognizes a loss with respect to the Fund's shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder (or certain greater amounts over a combination of years), the shareholder must file with the IRS a disclosure statement on Form 8886. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper.

**Cost basis reporting** Beginning in calendar year 2012, the Fund is required to report the cost basis of Fund shares sold or exchanged to you and the IRS annually. The cost basis of Fund shares acquired by purchase will generally be based on the amount paid for the shares, including any front-end sales charges, and then may be subsequently adjusted for other applicable transactions as required by the Code. The difference between the selling price and the cost basis of Fund shares generally determines the amount of the capital gain or loss realized on the sale or exchange of Fund shares.

Capital gains and losses on the sale or exchange of Fund shares are generally taxable transactions for federal and state income tax purposes.

*Shares acquired on or after January 1, 2012.* Cost basis reporting is generally required for Fund shares that are acquired by purchase, gift, inheritance or other transfer on or after January 1, 2012 (referred to as "covered shares"), and subsequently sold or exchanged on or after that date. Cost basis reporting does not apply to sales or exchanges of shares acquired before January 1, 2012, or to shares held in money market funds that maintain a stable \$1 net asset value and tax-deferred accounts, such as individual retirement accounts and qualified retirement plans.

*Cost basis methods.* Treasury regulations permit the use of several methods to determine the cost basis of mutual fund shares. The method used will determine which specific shares are treated as sold or exchanged when there are multiple purchases at different prices and the entire position is not sold at one time.

The Fund's default method is the average cost method. Under the average cost method, the cost basis of your Fund shares will be determined by averaging the cost basis of all outstanding shares. The holding period for determining whether gains and losses are short-term or long-term is based on the first-in-first-out method (FIFO) which treats the earliest shares acquired as those first sold or exchanged.

If you wish to select a different cost basis method, or choose to specifically identify your shares at the time of each sale or exchange, you must contact the Fund. However, once a shareholder has sold or exchanged covered shares from the shareholder's account, a change by the shareholder from the average cost method to another permitted method will only apply prospectively to shares acquired after the date of the method change.

Under the specific identification method, Treasury regulations require that you adequately identify the tax lots of Fund shares to be sold, exchanged or transferred at the time of each transaction. An adequate identification is made by providing the dates that the shares were originally acquired and the number of shares to be sold, exchanged or transferred from each applicable tax lot. Alternatively, an adequate identification of shares may be made with a standing order of instruction on your account. If you do not provide an adequate identification the Fund is required to use the FIFO method with any shares with an unknown acquisition date treated as sold or exchanged first.

The Fund does not recommend any particular cost basis method and the use of other methods may result in more favorable tax consequences for some shareholders. It is important that you consult with your tax or financial advisor to determine which method is best for you and then notify the Fund if you intend to use a method other than average cost.

If your account is held by your financial advisor or other broker-dealer, that firm may select a different cost basis default method. In these cases, please contact the firm to obtain information with respect to the available methods and elections for your account.

*Shares acquired before January 1, 2012.* Cost basis reporting is not generally required for Fund shares that were acquired by purchase, gift, inheritance or other transfer prior to January 1, 2012 (referred to as “noncovered shares”), regardless of when they are sold or exchanged. As a service to shareholders, the Fund presently intends to continue to provide shareholders cost basis information for eligible accounts for shares acquired prior to January 1, 2012. Consistent with prior years, this information will not be reported to the IRS or any state taxing authority.

Shareholders that use the average cost method for shares acquired before January 1, 2012 must make the election to use the average cost method for these shares on their federal income tax returns in accordance with Treasury regulations. This election cannot be made by notifying the Fund.

*Important limitations regarding cost basis information.* The Fund will report the cost basis of your Fund shares by taking into account all of the applicable adjustments required by the Code for purposes of reporting cost basis information to shareholders and the IRS annually. However the Fund is not required, and in many cases the Fund does not possess the information, to take all possible basis, holding period or other adjustments into account in reporting cost basis information to you. Therefore shareholders should carefully review the cost basis information provided by the Fund, whether this information is provided with respect to covered or noncovered shares, and make any additional basis, holding period or other adjustments that are required by the Code when reporting these amounts on their federal and state income tax returns. Shareholders remain solely responsible for complying with all federal and state income tax laws when filing their income tax returns.

*Additional information about cost basis reporting.* For additional information about cost basis reporting, including the methods and elections available to you, please contact Franklin Templeton at (800) DIAL BEN/342-5236. Additional information is also available on [franklintempleton.com/costbasis](http://franklintempleton.com/costbasis).

**Tax certification and backup withholding** Tax laws require that you certify your tax information when you become an investor in the Fund. For U.S. citizens and resident aliens, this certification is made on IRS Form W-9. Under these laws, you may be subject to federal backup withholding at 24%, and state backup withholding may also apply, on a portion of your taxable distributions and sales proceeds unless you:

- provide your correct Social Security or taxpayer identification number,

- certify that this number is correct,
- certify that you are not subject to backup withholding, and
- certify that you are a U.S. person (including a U.S. resident alien).

The Fund must also withhold if the IRS instructs it to do so. Backup withholding is not an additional tax. Any amounts withheld may be credited against the shareholder’s U.S. federal income tax liability, provided the appropriate information is furnished to the IRS. Certain payees and payments are exempt from backup withholding and information reporting.

**U.S. government securities** The income earned on certain U.S. government securities is exempt from state and local personal income taxes if earned directly by you. States also grant tax-free status to mutual fund dividends paid to you from interest earned on these securities, subject in some states to minimum investment or reporting requirements that must be met by the Fund. The income on Fund investments in certain securities, such as repurchase agreements, commercial paper and federal agency-backed obligations (e.g., Ginnie Mae and Fannie Mae securities), generally does not qualify for tax-free treatment. The rules on exclusion of this income are different for corporations..

**Qualified dividends and the corporate dividends-received deduction** For individual shareholders, a portion of the dividends paid by the Fund may be qualified dividend income eligible for taxation at long-term capital gain tax rates. For single individuals with taxable income not in excess of \$40,400 in 2021 (\$80,800 for married individuals filing jointly), the long-term capital gains tax rate is 0%. For single individuals and joint filers with taxable income in excess of these amounts but not more than \$445,850 or \$501,600, respectively, the long-term capital gains tax rate is 15%. The rate is 20% for single individuals with taxable income in excess of \$445,850 and married individuals filing jointly with taxable income in excess of \$501,600. An additional 3.8% Medicare tax may also be imposed as discussed above.

“Qualified dividend income” means dividends paid to the Fund (a) by domestic corporations, (b) by foreign corporations that are either (i) incorporated in a possession of the United States, or (ii) are eligible for benefits under certain income tax treaties with the United States that include an exchange of information program, or (c) with respect to stock of a foreign corporation that is readily tradable on an established securities market in the United States. Both the Fund and the investor must meet certain holding period requirements to qualify Fund dividends for this treatment. Specifically, the Fund must hold the stock for at least 61 days during the 121-day period beginning 60 days before the stock becomes ex-dividend (or in the case of certain preferred stocks, for at least 91 days during the 181-day period beginning 90 days before the stock becomes ex-dividend). Similarly, investors must



hold their Fund shares for at least 61 days during the 121-day period beginning 60 days before the Fund distribution goes ex-dividend. Income derived from investments in derivatives, fixed-income securities, U.S. REITs, PFICs, and income received "in lieu of" dividends in a securities lending transaction generally is not eligible for treatment as qualified dividend income. If the qualifying dividend income received by the Fund is equal to or greater than 95% of the Fund's gross income (exclusive of net capital gain) in any taxable year, all of the ordinary income dividends paid by the Fund will be qualifying dividend income.

While the income received in the form of a qualified dividend is taxed at the same rates as long-term capital gains, such income will not be considered a long-term capital gain for other federal income tax purposes. For example, you will not be allowed to offset your long-term capital losses against qualified dividend income on your federal income tax return. Any qualified dividend income that you elect to be taxed at these reduced rates also cannot be used as investment income in determining your allowable investment interest expense.

For corporate shareholders, a portion of the dividends paid by the Fund may qualify for the corporate dividends-received deduction. This deduction generally is available to corporations for dividends paid by a fund out of income earned on its investments in domestic corporations. The availability of the dividends-received deduction is subject to certain holding period and debt financing restrictions that apply to both the Fund and the investor. Specifically, the amount that the Fund may report as eligible for the dividends-received deduction will be reduced or eliminated if the shares on which the dividends earned by the Fund were debt-financed or held by the Fund for less than a minimum period of time, generally 46 days during a 91-day period beginning 45 days before the stock becomes ex-dividend. Similarly, if your Fund shares are debt-financed or held by you for less than a 46-day period then the dividends-received deduction for Fund dividends on your shares may also be reduced or eliminated. Income derived by the Fund from investments in derivatives, fixed-income and foreign securities generally is not eligible for this treatment.

Each year the Fund will report to shareholders the portion of the income dividends paid by the Fund that are eligible for treatment as qualified dividend income, if any, and for the corporate dividends-received deduction, if any. The amounts reported to shareholders may vary significantly each year depending on the particular mix of the Fund's investments. If the percentage of qualified dividend income or dividend income eligible for the corporate dividends-received deduction is quite small, the Fund reserves the right to not report the small percentage of qualified dividend income for individuals or income eligible for the corporate dividends-received deduction for corporations.

**Investment in complex securities** The Fund's investment in certain complex securities could subject it to one or more special tax rules (including, but not limited to, the wash sale rules), which may affect whether gains and losses recognized by the Fund are treated as ordinary or capital or as short-term or long-term, accelerate the recognition of income or gains to the Fund, defer losses to the Fund, and cause adjustments to the holding periods of the Fund's securities. These rules, therefore, could affect the amount, timing and/or tax character of the Fund's distributions to shareholders. Moreover, because the tax rules applicable to complex securities, including derivative financial instruments, are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether the Fund has made sufficient distributions and otherwise satisfied the relevant requirements to maintain its qualification as a regulated investment company and avoid a fund-level tax.

*In general.* Gain or loss recognized by the Fund on the sale or other disposition of its portfolio investments will generally be capital gain or loss. Such capital gain and loss may be long-term or short-term depending, in general, upon the length of time a particular investment position is maintained and, in some cases, upon the nature of the transaction. Portfolio investments held for more than one year generally will be eligible for long-term capital gain or loss treatment.

*Securities lending transactions.* The Fund may obtain additional income by lending its securities, typically to brokers. All amounts that are paid to the Fund in a securities lending transaction, including substitute dividend or interest payments, are treated as a "fee" for the temporary use of property. As a result, any substitute dividend payments received by the Fund are neither qualified dividend income eligible for taxation at reduced long-term capital gain rates in the case of individual shareholders nor eligible for the corporate dividends received deduction in the case of corporate shareholders. Similarly, any foreign tax withheld on payments made "in lieu of" dividends or interest will not qualify for the pass-through of foreign taxes to shareholders.

*Tax straddles.* If the Fund invests in certain derivative instruments, if it actively trades stock or otherwise acquires a position with respect to substantially similar or related property in connection with certain hedging transactions, or if it engages in spread, straddle or collar transactions, it could be deemed to hold offsetting positions in securities. If the Fund's risk of loss with respect to specific securities in its portfolio is substantially diminished by the fact that it holds offsetting securities, the Fund could be deemed to have entered into a tax "straddle" or to hold a "successor position" that would require any loss realized by it to be deferred for tax purposes.

*Certain fixed-income investments.* Gain recognized on the disposition of a debt obligation purchased by the Fund with market discount (generally, at a price less than its principal amount) will be treated as ordinary income to the extent of the portion of the market discount that accrued during the period of time the Fund held the debt obligation, unless the Fund made an election to accrue market discount into income currently. Fund distributions of accrued market discount including any current inclusions, are taxable to shareholders as ordinary income to the extent of the Fund's earnings and profits. If the Fund purchases a debt obligation (such as a zero coupon security or pay-in-kind security) that was originally issued at a discount, the Fund generally is required to include in gross income each year the portion of the original issue discount that accrues during such year. Therefore an investment in such securities may cause the Fund to recognize income and make distributions to shareholders before it receives any cash payments on the securities. To generate cash to satisfy those distribution requirements, the Fund may have to sell portfolio securities that it otherwise might have continued to hold or to use cash flows from other sources such as the sale of fund shares.

*Investments in debt obligations that are at risk of or in default.* The Fund may also hold obligations that are at risk of or in default. Tax rules are not entirely clear about issues such as whether and to what extent the Fund should recognize market discount on such a debt obligation, when the Fund may cease to accrue interest, original issue discount or market discount, when and to what extent the Fund may take deductions for bad debts or worthless securities and how the Fund should allocate payments received on obligations in default between principal and income. These and other related issues will be addressed by the Fund in order to ensure that it distributes sufficient income to preserve its status as a regulated investment company.

*Investment in taxable mortgage pools (excess inclusion income).* Under a Notice issued by the IRS, the Code and Treasury regulations to be issued, a portion of the Fund's income from a U.S. REIT that is attributable to the REIT's residual interest in a real estate mortgage investment conduit (REMIC) or equity interests in a "taxable mortgage pool" (referred to in the Code as an excess inclusion) will be subject to federal income tax in all events. The excess inclusion income of a regulated investment company, such as the Fund, will be allocated to shareholders of the regulated investment company in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related REMIC residual interest or, if applicable, taxable mortgage pool directly. In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan

or other tax-exempt entity) subject to tax on unrelated business income (UBTI), thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a foreign stockholder, will not qualify for any reduction in U.S. federal withholding tax. In addition, if at any time during any taxable year a "disqualified organization" (which generally includes certain cooperatives, governmental entities, and tax-exempt organizations not subject to UBTI) is a record holder of a share in a regulated investment company, then the regulated investment company will be subject to a tax equal to that portion of its excess inclusion income for the taxable year that is allocable to the disqualified organization, multiplied by the applicable corporate tax rate. The Notice imposes certain reporting requirements upon regulated investment companies that have excess inclusion income. There can be no assurance that the Fund will not allocate to shareholders excess inclusion income.

These rules are potentially applicable to a fund with respect to any income it receives from the equity interests of certain mortgage pooling vehicles, either directly or, as is more likely, through an investment in a U.S. REIT. It is not anticipated that these rules will apply to a fund that does not invest in any U.S. REITs.

**State income taxes** Some state tax codes adopt the Code through a certain date. As a result, such conforming states may not have adopted the version of the Code as amended by the TCJA, the Regulated Investment Company Modernization Act of 2010, or other federal tax laws enacted after the applicable conformity date. Other states may have adopted an income or other basis of tax that differs from the Code.

The tax information furnished by the Fund to shareholders and the IRS annually with respect to the amount and character of dividends paid, cost basis information with respect to shares redeemed or exchanged, and records maintained by the Fund with respect to the cost basis of Fund shares, will be prepared on the basis of current federal income tax law to comply with the information reporting requirements of the Code, and not necessarily on the basis of the law of any state in which a shareholder is resident or otherwise subject to tax. If your account is held by your financial advisor or other broker, contact that firm with respect to any state information reporting requirements applicable to your investment in the Fund. Under the current California Revenue and Taxation Code, certain funds are required to report tax information to the California Franchise Tax Board annually.

Accordingly, the amount and character of income, gain or loss realized by a shareholder with respect to an investment in Fund shares for state income tax purposes may differ from that for federal income tax purposes. Franklin Templeton

provides additional tax information on franklintempleton.com (under the Tax Center) to assist shareholders with the preparation of their federal and state income tax returns. Shareholders are solely responsible for determining the amount and character of income, gain or loss to report on their federal, state and local income tax returns each year as a result of their purchase, holding and sale of Fund shares.

**Non-U.S. investors** Non-U.S. investors may be subject to U.S. withholding and estate tax, and are subject to special U.S. tax certification requirements.

*In general.* The United States imposes a flat 30% withholding tax (or a tax at a lower treaty rate) on U.S. source dividends. Exemptions from U.S. withholding tax are provided for capital gains realized on the sales of Fund shares, capital gain dividends paid by the Fund from net long-term capital gains, short-term capital gain dividends paid by the Fund from net short-term capital gains, and interest-related dividends paid by the Fund from its qualified net interest income from U.S. sources, unless you are a nonresident alien individual present in the United States for a period or periods aggregating 183 days or more during the calendar year. "Qualified interest income" includes, in general, the sum of the Fund's U.S. source: i) bank deposit interest, ii) short-term original issue discount, iii) portfolio interest, and iv) any interest-related dividend passed through from another regulated investment company.

However, notwithstanding such exemptions from U.S. withholding tax at source, any taxable distributions and proceeds from the sale of your Fund shares will be subject to backup withholding at a rate of 24% if you fail to properly certify that you are not a U.S. person.

It may not be practical in every case for the Fund to report to shareholders, and the Fund reserves the right in these cases to not report, interest-related or short-term capital gain dividends. Additionally, the Fund's reporting of interest-related or short-term capital gain dividends may not, in turn, be passed through to shareholders by intermediaries who have assumed tax reporting responsibilities for this income in managed or omnibus accounts due to systems limitations or operational constraints.

*Effectively connected income.* Taxable ordinary income dividends paid by the Fund to non-U.S. investors on portfolio investments are generally subject to U.S. withholding tax at 30% or a lower treaty rate. However, if you hold your Fund shares in connection with a U.S. trade or business, your income and gains may be considered effectively connected income and taxed in the U.S. on a net basis at graduated income tax rates in which case you may be required to file a nonresident U.S. income tax return.

*U.S. estate tax.* An individual who is a non-U.S. investor will be subject to U.S. federal estate tax on the value of the Fund shares owned at the time of death, unless a treaty exemption

applies between the country of residence of the non-U.S. investor and the U.S. Even if a treaty exemption is available, a decedent's estate may nevertheless be required to file a U.S. estate tax return to claim the exemption, as well as to obtain a U.S. federal transfer certificate. The transfer certificate will identify the property (i.e., Fund shares) on which a U.S. federal tax lien has been released and is required before the Fund can release a nonresident alien decedent's investment in the Fund to his or her estate. A transfer certificate is not required for property administered by an executor or administrator appointed, qualified and acting within the United States. For estates with U.S. situs assets of not more than \$60,000 (there is a statutory estate tax credit for this amount of property), an affidavit from the executor of the estate or other authorized individual along with additional evidence requested by the IRS relating to the decedent's estate evidencing the U.S. situs assets may be provided in lieu of a federal transfer certificate. Transfers by gift of shares of the Fund by a non-U.S. investor who is a nonresident alien individual will not be subject to U.S. federal gift tax. The tax consequences to a non-U.S. investor entitled to claim the benefits of a treaty between the country of residence of the non-U.S. investor and the U.S. may be different from the consequences described above.

*Tax certification and backup withholding as applied to non-U.S. investors.* Non-U.S. investors have special U.S. tax certification requirements to avoid backup withholding at a rate of 24% and, if applicable, to obtain the benefit of any income tax treaty between the non-U.S. investor's country of residence and the United States. To claim these tax benefits, the non-U.S. investor must provide a properly completed Form W-8BEN (or other Form W-8, where applicable) to establish his or her status as a non-U.S. investor, to claim beneficial ownership over the assets in the account, and to claim, if applicable, a reduced rate of or exemption from withholding tax under the applicable treaty. A Form W-8BEN generally remains in effect for a period of three years beginning on the date that it is signed and ending on the last day of the third succeeding calendar year. In certain instances, Form W-8BEN may remain valid indefinitely unless the investor has a change of circumstances that renders the form incorrect and necessitates a new form and tax certification. Non-U.S. investors must advise the Fund of any change of circumstances that would render the information given on the form incorrect and must then provide a new W-8BEN to avoid the prospective application of backup withholding.

*Investment in U.S. real property.* The Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) makes non-U.S. persons subject to U.S. tax on disposition of a U.S. real property interest (USRPI) as if he or she were a U.S. person. Such gain is sometimes referred to as FIRPTA gain. The Fund may invest in equity securities of corporations that

invest in USRPI, including U.S. REITs, which may trigger FIRPTA gain to the Fund's non-U.S. shareholders.

The Code provides a look-through rule for distributions of FIRPTA gain when a regulated investment company is classified as a qualified investment entity. A regulated investment company will be classified as a qualified investment entity if, in general, 50% or more of the regulated investment company's assets consist of interests in U.S. REITs and other U.S. real property holding corporations (USRPHC). If a regulated investment company is a qualified investment entity and the non-U.S. shareholder owns more than 5% of a class of Fund shares at any time during the one-year period ending on the date of the FIRPTA distribution, the FIRPTA distribution to the non-U.S. shareholder is treated as gain from the disposition of a USRPI, causing the distribution to be subject to U.S. withholding tax at the applicable corporate tax rate (unless reduced by future regulations), and requiring the non-U.S. shareholder to file a nonresident U.S. income tax return. In addition, even if the non-U.S. shareholder does not own more than 5% of a class of Fund shares, but the Fund is a qualified investment entity, the FIRPTA distribution will be taxable as ordinary dividends (rather than as a capital gain or short-term capital gain dividend) subject to withholding at 30% or a lower treaty rate.

Because the Fund expects to invest less than 50% of its assets at all times, directly or indirectly, in U.S. real property interests, it expects that neither gain on the sale or redemption of Fund shares nor Fund dividends and distributions should be subject to FIRPTA reporting and tax withholding.

**Foreign Account Tax Compliance Act** Under the Foreign Account Tax Compliance Act (FATCA), foreign entities, referred to as foreign financial institutions (FFI) or non-financial foreign entities (NFFE) that are shareholders in the Fund may be subject to a 30% withholding tax on income dividends paid by the Fund. The FATCA withholding tax generally can be avoided: (a) by an FFI, if it reports certain direct and indirect ownership of foreign financial accounts held by U.S. persons with the FFI, and (b) by an NFFE, if it: (i) certifies that it has no substantial U.S. persons as owners, or (ii) if it does have such owners, reports information relating to them to the withholding agent, which will, in turn, report that information to the IRS. The U.S. Treasury has negotiated intergovernmental agreements (IGA) with certain countries and is in various stages of negotiations with a number of other foreign countries with respect to one or more alternative approaches to implement FATCA. An entity in one of those countries may be required to comply with the terms of an IGA and applicable local law instead of U.S. Treasury regulations.

An FFI can avoid FATCA withholding if it is deemed compliant or by becoming a "participating FFI," which requires the FFI to enter into a U.S. tax compliance agreement with the IRS under section 1471(b) of the Code (FFI agreement) under

which it agrees to verify, report and disclose certain of its U.S. accountholders and provided that such entity meets certain other specified requirements. The FFI will report to the IRS, or, depending on the FFI's country of residence, to the government of that country (pursuant to the terms and conditions of an applicable IGA and applicable law), which will, in turn, report to the IRS. An FFI that is resident in a country that has entered into an IGA with the U.S. to implement FATCA will be exempt from FATCA withholding provided that the FFI shareholder and the applicable foreign government comply with the terms of such agreement.

An NFFE that is the beneficial owner of a payment from the Fund can avoid the FATCA withholding tax generally by certifying that it does not have any substantial U.S. owners or by providing the name, address and taxpayer identification number of each substantial U.S. owner. The NFFE will report information either (i) to the Fund, or other applicable withholding agent, which will, in turn, report information to the IRS, or (ii) directly to the IRS.

Such foreign shareholders also may fall into certain exempt, excepted or deemed compliant categories as established by U.S. Treasury regulations, IGAs, and other guidance regarding FATCA. An FFI or NFFE that invests in the Fund will need to provide the Fund with documentation properly certifying the entity's status under FATCA in order to avoid FATCA withholding. The requirements imposed by FATCA are different from, and in addition to, the U.S. tax certification rules to avoid backup withholding described above.

## Organization, Voting Rights and Principal Holders

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The Fund is a non-diversified, open-end management investment company, commonly called a mutual fund. The Fund was originally organized as a California corporation on June 20, 1968, and was reorganized as a Delaware statutory trust (a form of entity formerly known as a business trust) on April 10, 2000, and is registered with the SEC.

The Fund currently offers four classes of shares: Class A, Class C, Class R6 and Advisor Class. The Fund may offer additional classes of shares in the future. The full title of each class is:

- Franklin Gold and Precious Metals Fund - Class A
- Franklin Gold and Precious Metals Fund - Class C
- Franklin Gold and Precious Metals Fund - Class R6
- Franklin Gold and Precious Metals Fund - Advisor Class

Shares of each class represent proportionate interests in the Fund's assets. On matters that affect the Fund as a whole, each class has the same voting and other rights and preferences as any other class. On matters that affect only

one class, only shareholders of that class may vote. Each class votes separately on matters affecting only that class, or matters expressly required to be voted on separately by state or federal law.

The Fund has noncumulative voting rights. For board member elections, this gives holders of more than 50% of the shares voting the ability to elect all of the members of the board. If this happens, holders of the remaining shares voting will not be able to elect anyone to the board.

The Fund does not intend to hold annual shareholder meetings. The Fund may hold special meetings, however, for matters requiring shareholder approval.

As of November 1, 2021, the principal shareholders of the Fund, beneficial or of record, were:

<b>Name and Address</b>	<b>Share Class</b>	<b>Percentage (%)</b>
<b>Franklin Gold and Precious Metals Fund</b>		
National Financial Services LLC* Attn: Mutual Fund Department 4th Floor 499 Washington Boulevard Jersey City, NJ 07310-1995	A	8.89
Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	A	6.23
Edward Jones & Co.* 12555 Manchester Road St. Louis, MO 63131-3710	A	5.24
Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	Advisor	23.95
National Financial Services LLC* Attn: Mutual Fund Department 4th Floor 499 Washington Boulevard Jersey City, NJ 07310-1995	Advisor	11.08
Morgan Stanley Smith Barney LLC* 1 New York Plaza Floor 12 New York, NY 10004-1901	Advisor	10.36
LPL Financial* Attn: Mutual Fund Trading 4707 Executive Drive San Diego, CA 92121-3091	Advisor	6.82
Dengel Co.* c/o Fiduciary Trust Company Intl. P.O. Box 3199 New York, NY 10008	Advisor	6.50
Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	C	14.24
WFCS LLC* 2801 Market Street St. Louis, MO 63103-2523	C	13.94

<b>Name and Address</b>	<b>Share Class</b>	<b>Percentage (%)</b>
LPL Financial* Attn: Mutual Fund Trading 4707 Executive Drive San Diego, CA 92121-3091	C	11.65
J.P. Morgan Securities LLC* 4 Chase Metrotech Center Brooklyn, NY 11245-0001	C	7.70
National Financial Services LLC* Attn: Mutual Fund Department 4th Floor 499 Washington Boulevard Jersey City, NJ 07310-1995	C	7.05
Morgan Stanley Smith Barney LLC* 1 New York Plaza Floor 12 New York, NY 10004-1901	C	5.95
Charles Schwab & Co* 211 Main Street San Francisco, CA 94105-1905	C	5.66
Great-West Trust Company LLC* 8515 E Orchard Road 2T2 Greenwood Village, CO 80111	R6	11.16
Edward Jones & Co.* 12555 Manchester Road St. Louis, MO 63131-3710	R6	11.05
Voya Retirement Insurance and Annuity Company* 1 Orange Way B3N Windsor, CT 06095-4774	R6	10.64
National Financial Services LLC* Attn: Mutual Fund Department 4th Floor 499 Washington Boulevard Jersey City, NJ 07310-1995	R6	10.32
DCGT as Trustee and/or Custodian* Attn: NPIO Trade Desk 711 High Street Des Moines, IA 50392	R6	7.42

\* For the benefit of its customer(s).

To the best knowledge of the Fund, no other person holds beneficially or of record more than 5% of the outstanding shares of any class.

As of November 1, 2021, the officers and board members, as a group, owned of record and beneficially less than 1% of the outstanding shares of the Fund. The board members may own shares in other funds in Franklin Templeton.

## **Buying and Selling Shares**

The Fund continuously offers its shares through securities dealers who have an agreement with Franklin Templeton Distributors, Inc. (Distributors). A securities dealer includes any financial institution that, either directly or through affiliates, has an agreement with Distributors to handle customer orders and accounts with the Fund. This reference is for convenience only and does not indicate a legal

conclusion of capacity. Banks and financial institutions that sell shares of the Fund may be required by state law to register as securities dealers. If you buy or sell shares through your securities dealer, you may be charged a transaction processing fee by your securities dealer. Your securities dealer will provide you with specific information about any transaction processing fees you will be charged.

The Fund and other U.S. registered investment companies within the Franklin Templeton fund complex are intended for sale to residents of the U.S., and, with very limited exceptions, are not registered or otherwise offered for sale in other jurisdictions. The above restrictions are generally not applicable to sales in U.S. territories or to diplomatic staff members or members of the U.S. military with an APO or FPO address outside of the U.S. Investors are responsible for compliance with tax, securities, currency exchange or other regulations applicable to redemption and purchase transactions in any state or jurisdiction to which they may be subject. Investors should consult with their financial intermediary and appropriate tax and legal advisors to obtain information on the rules applicable to these transactions.

In particular, the Fund is not registered in any provincial or territorial jurisdiction in Canada, and shares of the Fund have not been qualified for sale in any Canadian jurisdiction. Shares of the Fund may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Prospective investors may be required to declare that they are not Canadian residents and are not acquiring shares on behalf of any Canadian residents. If an investor becomes a Canadian resident after purchasing shares of the Fund, the investor will not be able to purchase any additional shares of the Fund (other than reinvestment of dividends and capital gains) or exchange shares of the Fund for other U.S. registered Franklin Templeton funds.

Similarly, the Fund is not registered, and shares of the Fund have not been qualified for distribution, in any member country of the European Union (EU) or European Economic Area (EEA). The shares offered by this prospectus may not be directly or indirectly offered or distributed in any such country. If an investor becomes an EU or EEA resident after purchasing shares of the Fund, the investor will not be able to purchase any additional shares of the Fund (other than reinvestment of dividends and capital gains) or exchange shares of the Fund for other U.S. registered Franklin Templeton funds.

All purchases of Fund shares will be credited to you, in full and fractional Fund shares (rounded to the nearest 1/100 of a share). All checks, drafts, wires and other payment mediums used to buy or sell shares of the Fund must be denominated in U.S. dollars. We may, in our sole discretion, either (a) reject any order to buy or sell shares denominated in any other currency or (b) honor the transaction or make adjustments to

your account for the transaction as of a date and with a foreign currency exchange factor determined by the drawee bank. We may deduct any applicable banking charges imposed by the bank from your account.

When you buy shares, if you submit a check or a draft that is returned unpaid to the Fund, we may impose a \$10 charge against your account for each returned item.

If you buy shares through the reinvestment of dividends, the shares will be purchased at the net asset value determined on the business day following the dividend record date (sometimes known as the "ex-dividend date"). The processing date for the reinvestment of dividends may vary and does not affect the amount or value of the shares acquired.

#### **Investment by asset allocators and large shareholders**

Particularly during times of overall market turmoil or price volatility, the Fund may experience adverse effects when certain large shareholders such as other funds, institutional investors (including those trading by use of non-discretionary mathematical formulas) and asset allocators (who make investment decisions on behalf of underlying clients), purchase or redeem large amounts of shares of the Fund. Such large shareholder redemptions may cause the Fund to sell portfolio securities at times when it would not otherwise do so. Similarly, large Fund share purchases may adversely affect the Fund's performance to the extent that the Fund is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

These transactions may also accelerate the realization of taxable income to shareholders if such sales of investments resulted in gains, and may also increase transaction costs. In addition, a large redemption could result in the Fund's current expenses being allocated over a smaller asset base, leading to an increase in the Fund's expense ratio.

When experiencing such purchases and redemptions by large shareholders, the Fund may restrict or reject purchases, in accordance with the Frequent Trading Policy of the Fund as set forth in the Fund's Prospectus. The Fund also may delay payment of redemptions up to seven days to provide the investment manager with time to determine if the Fund can redeem the request in-kind or to consider other alternatives to lessen the harm to remaining shareholders. Under certain circumstances, however, the Fund may be unable to delay a purchase or redemption request, which could result in the automatic processing of a large transaction that is detrimental to the Fund and its shareholders.

**Initial sales charges** The maximum initial sales charge is 5.50% for Class A. There is no initial sales charge for Class C, Class R6 and Advisor Class.

The initial sales charge for Class A shares may be reduced for certain large purchases, as described in the prospectus. We offer several ways for you to combine your purchases in

Franklin Templeton funds to take advantage of the lower sales charges for large purchases.

*Letter of intent (LOI).* You may buy Class A shares at a reduced sales charge by completing the LOI section of your account application. An LOI is a commitment by you to invest a specified dollar amount during a 13-month period. The amount you agree to invest determines the sales charge you pay. By completing the LOI section of the application, you acknowledge and agree to the following:

- You authorize Distributors to reserve approximately 5% of your total intended purchase in Class A shares registered in your name until you fulfill your LOI. Your periodic statements will include the reserved shares in the total shares you own, and we will pay or reinvest dividend and capital gain distributions on the reserved shares according to the distribution option you have chosen.
- You give Distributors a security interest in the reserved shares and appoint Distributors as attorney-in-fact.
- Distributors may sell any or all of the reserved shares to cover any additional sales charge if you do not fulfill the terms of the LOI.
- Although you may exchange your shares, you may not sell reserved shares until you complete the LOI or pay the higher sales charge.

After you file your LOI with the Fund, you may buy Class A shares at the sales charge applicable to the amount specified in your LOI. Sales charge reductions based on purchases in more than one Franklin Templeton fund will be effective only after notification to Distributors that the investment qualifies for a discount. If you file your LOI with the Fund before a change in the Fund's sales charge, you may complete the LOI at the lower of the new sales charge or the sales charge in effect when the LOI was filed.

Your holdings in Franklin Templeton funds acquired before you filed your LOI will be counted towards the completion of the LOI.

If the terms of your LOI are met, the reserved shares will be deposited to an account in your name or delivered to you or as you direct.

If the amount of your total purchases is less than the amount specified in your LOI, the sales charge will be adjusted upward, depending on the actual amount purchased during the period. You will need to send Distributors an amount equal to the difference in the actual dollar amount of sales charge paid and the amount of sales charge that would have applied to the total purchases if the total of the purchases had been made at one time. Upon payment of this amount, the reserved shares held for your account will be deposited to an account in your name or delivered to you or as you direct. If

within 20 days after written request the difference in sales charge is not paid, we will redeem an appropriate number of reserved shares to realize the difference. If you redeem the total amount in your account before you fulfill your LOI, we will deduct the additional sales charge due from the sale proceeds and forward the balance to you.

For LOIs filed on behalf of certain retirement plans, the level and any reduction in sales charge for these plans will be based on actual plan participation and the projected investments in Franklin Templeton funds under the LOI. These plans are not subject to the requirement to reserve 5% of the total intended purchase or to the policy on upward adjustments in sales charges described above, or to any penalty as a result of the early termination of a plan.

*Sales in Taiwan.* Under agreements with certain banks in Taiwan, Republic of China, the Fund's shares are available to these banks' trust accounts without a sales charge. The banks may charge service fees to their customers who participate in the trusts. A portion of these service fees may be paid to Distributors or one of its affiliates to help defray expenses of maintaining a service office in Taiwan, including expenses related to local literature fulfillment and communication facilities.

The Fund's Class A shares may be offered to investors in Taiwan through securities advisory firms known locally as Securities Investment Consulting Enterprises. In conformity with local business practices in Taiwan, Class A shares may be offered with the following schedule of sales charges:

Size of Purchase – U.S. Dollars	Sales Charge (%)
Under \$30,000	3.0
\$30,000 but less than \$50,000	2.5
\$50,000 but less than \$100,000	2.0
\$100,000 but less than \$200,000	1.5
\$200,000 but less than \$400,000	1.0
\$400,000 or more	0

*Purchases of certain share classes through financial intermediaries (Class R6 and Advisor Class).* There are no associated sales charges or Rule 12b-1 distribution and service fees for the purchase of Class R6 and Advisor Class shares. However, pursuant to SEC guidance, certain financial intermediaries acting as agents on behalf of their customers may directly impose on shareholders sales charges or transaction fees determined by the financial intermediary related to the purchase of these shares. These charges and fees are not disclosed in this prospectus. You should consult with your financial advisor or visit your financial intermediary's website for more information.

The Fund's service providers also may pay financial intermediaries for marketing support and other related services as disclosed below for Advisor Class shares, but not for Class R6 shares. These payments may create a conflict of interest by influencing the financial intermediary and your salesperson to recommend one share class over another.

There is some uncertainty concerning whether marketing support or other similar payments may be made or received in connection with Advisor Class shares where a financial intermediary has imposed its own sales charges or transaction fees. Based on future regulatory developments, such payments may be terminated.

*Financial intermediary compensation.* Financial intermediaries may at times receive the entire sales charge. A financial intermediary who receives 90% or more of the sales charge may be deemed an underwriter under the Securities Act of 1933, as amended. Financial institutions or their affiliated brokers may receive an agency transaction fee in the percentages indicated in the financial intermediary compensation table in the Fund's prospectus.

Distributors may pay the following commissions to financial intermediaries who initiate and are responsible for purchases of Class A shares in the following amounts:

<b>Amount of Investment</b>	<b>For Funds with an initial sales charge of 5.50% (%)</b>	<b>For Funds with an initial sales charge of 3.75% (%)</b>	<b>For Funds with an initial sales charge of 2.25% (%)</b>
Under \$50,000	5.00	3.50	2.00
\$50,000 but under \$100,000	4.00	3.50	2.00
\$100,000 but under \$250,000	3.00	3.00	1.75
\$250,000 but under \$500,000	2.25	2.25	1.25
\$500,000 but under \$1 million	1.75	1.00	1.00
\$1 million but under \$4 million	1.00	1.00	1.00
\$4 million but under \$10 million	1.00	1.00	1.00
\$10 million but under \$50 million	0.50	0.50	0.50
\$50 million or more	0.25	0.25	0.25

Consistent with the provisions and limitations set forth in its Class A Rule 12b-1 distribution plan, the Fund may reimburse Distributors for the cost of these commission payments.

These payments may be made in the form of contingent advance payments, which may be recovered from the financial intermediary or set off against other payments due to the financial intermediary if shares are sold within 18 months of the calendar month of purchase. Other conditions may apply. Other terms and conditions may be imposed by an agreement between Distributors, or one of its affiliates, and the financial intermediary.

In addition to the sales charge payments described above and the distribution and service (12b-1) fees described below under "The Underwriter - Distribution and service (12b-1) fees," Distributors and/or its non-fund affiliates may make the following additional payments to financial intermediaries that sell shares of Franklin Templeton mutual funds:

*Marketing support payments (applicable to all classes of shares except Class R6).* Distributors may make payments to certain financial intermediaries in connection with their efforts to educate financial advisors and provide services which may facilitate, directly or indirectly, investment in Franklin Templeton mutual funds. A financial intermediary's marketing support services may include business planning assistance, advertising, educating financial intermediary personnel about Franklin Templeton mutual funds and shareholder financial planning needs, placement on the financial intermediary's list of offered funds, and access to sales meetings, sales representatives and management representatives of the financial intermediary. Distributors compensates financial intermediaries differently depending upon, among other factors, sales and assets levels, redemption rates and the level and/or type of marketing and educational activities provided by the financial intermediary. Such compensation may include financial assistance to financial intermediaries that enable Distributors to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other financial intermediary-sponsored events. These payments may vary depending upon the nature of the event. Distributors will, on an annual basis, determine whether to continue such payments. In the case of any one financial intermediary, marketing support payments generally will not exceed 0.05% of the total assets of Franklin Templeton mutual funds attributable to that financial intermediary, on an annual basis. For a financial intermediary exceeding \$50 billion in total assets of Franklin Templeton mutual funds, Distributors may agree to make annual marketing support payments up to a limit of 0.06% of such assets. In other limited circumstances, Distributors or an affiliate will have alternative arrangements with an intermediary that provides for payments in excess of the 0.05% limitation, which may include arrangements based on assets or sales of the funds, combined assets or sales of related funds, or other criteria. Any assets held on behalf of Employer Sponsored Retirement Plans for which payment is made to a financial intermediary pursuant to the following paragraph will be excluded from the calculation of marketing support payments pursuant to this paragraph.

Distributors may also make marketing support payments to financial intermediaries in connection with their activities that are intended to assist in the sale of shares of Franklin Templeton mutual funds, directly or indirectly, to certain Employer Sponsored Retirement Plans that have retained such financial intermediaries as plan service providers. Payments may be made on account of activities that may include, but are not limited to, one or more of the following: business planning assistance for financial intermediary personnel, educating financial intermediary personnel about Franklin Templeton mutual funds, access to sales meetings, sales representatives, wholesalers, and management representatives of the financial intermediary, and detailed



sales reporting. A financial intermediary may perform the services itself or may arrange with a third party to perform the services. In the case of any one financial intermediary, such payments will not exceed 0.10% of the total assets of Franklin Templeton mutual funds held, directly or indirectly, by such Employer Sponsored Retirement Plans, on an annual basis. Distributors will, on an annual basis, determine whether to continue such payments.

Consistent with the provisions and limitations set forth in its Rule 12b-1 distribution plans, the Fund may reimburse Distributors for the cost of a portion of these marketing support payments.

Marketing support payments may be in addition to any servicing and other fees paid by Investor Services, as described further below and under "Management and Other Services - Shareholder servicing and transfer agent" above.

The following list includes FINRA member firms (or, in some instances, their respective affiliates) that, as of March 31, 2021, Distributors anticipates will receive marketing support payments. In addition to member firms of FINRA, Distributors also makes marketing support payments, and Distributors' non-fund affiliates may make administrative services payments, to certain other financial intermediaries, such as banks, insurance companies, and plan administrators, that sell mutual fund shares or provide services to Franklin Templeton mutual funds and shareholders. These firms may not be included in this list. You should ask your financial intermediary if it receives such payments.

ADP Retirement Services, American Portfolios Financial Services, Inc., American Enterprise Investment Services, Inc., American United Life Insurance Company, Ascensus, Inc., Avantax Wealth Management, AXA Advisors, LLC, BBVA Securities, Inc., Benjamin F. Edwards & Company, Inc., Cadaret Grant & Co., Inc., Cambridge Investment Research, Inc., Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Financial Specialists LLC, Cetera Investment Services LLC, Citigroup Global Markets Inc., Charles Schwab & Co., Inc., Citizens Securities, Inc., Commonwealth Financial Network, CUNA Brokerage Services, Inc., CUSO Financial Services, L.P., Digital Retirement Solutions, E\*TRADE Securities LLC, Edward D. Jones & Co., L.P. (dba Edward Jones), Empower Retirement, ePlan Services, Inc., Fidelity Investments Institutional Operations Company, Inc., First Allied Securities, Inc., First Command Financial Planning, Inc., FPS Services LLC, FSC Securities Corporation, Goldman, Sachs & Co., Group 3 Financial LLC, Hantz Financial Services, Inc., Investacorp, Inc., J.P. Morgan Securities LLC, Janney Montgomery Scott LLC, John Hancock Distributors LLC, KMS Financial Services, Inc., Lincoln Financial Advisors Corporation, Lincoln Financial Securities Corporation, Lincoln Investment Planning, Inc., Lincoln Retirement Services Company LLC, LPL Financial LLC, M&T Securities, Inc., Massachusetts Mutual Life

Insurance Company, Merrill Lynch, Pierce, Fenner & Smith, Inc., Minnesota Life Insurance Company, MML Investors Services, LLC, Morgan Stanley, MSCS Financial Services LLC, Nationwide Financial Services, Inc., Newport Retirement Services, Inc., NEXT Financial Group, Inc., Northwestern Mutual Investment Services, LLC, Paychex Securities Corporation, PFS Investments Inc., PNC Investments LLC, Principal Financial Group, Prudential Insurance Company of America, Raymond James & Associates, Inc., Raymond James Financial Services, Inc., RBC Capital Markets LLC, Robert W. Baird & Co., Inc., Royal Alliance Associates, Inc., SagePoint Financial, Inc., Securities America, Inc., Securities Service Network, Inc., Sorrento Pacific Financial, LLC, Stifel, Nicolaus & Company, Incorporated, TD Ameritrade Trust Company, TFS Securities, Inc., The Huntington Investment Company, The Investment Center, Inc., TIAA-CREF Individual & Institutional Services, LLC, Transamerica Advisors Life Insurance Company, Transamerica Retirement Solutions Corporation, Triad Advisors, Inc., UBS Financial Services Inc., UnionBanc Investment Services, LLC, U.S. Bancorp Investments, Inc., USI Advisors, Inc., Voya Financial Advisors, Inc., Voya Institutional Plan Services LLP, Wells Fargo Advisors, LLC, Western International Securities, Inc., and Woodbury Financial Services, Inc.

Marketing support payments made to organizations located outside the U.S., with respect to investments in the Fund by non-U.S. persons, may exceed the above-stated limitation.

In addition to marketing support payments, to the extent permitted by SEC and FINRA rules and other applicable laws and regulations, Distributors may from time to time at its expense make or allow other promotional incentives or additional payments to financial intermediaries that sell or arrange for the sale of shares of the Fund. These payments may include additional compensation to financial intermediaries, including financial intermediaries not listed above, related to transaction support, various financial intermediary-sponsored events intended to educate financial advisers and their clients about the Franklin Templeton mutual funds, and data analytics and support.

*Transaction support payments.* The types of payments that Distributors may make under this category include, among others, payment of ticket charges of up to \$20 per purchase or exchange order placed by a financial intermediary. Other payments may include ancillary services such as set-up, ongoing support, and assistance with a financial intermediary's mutual fund trading system.

*Conference support payments.* Compensation may include financial assistance to financial intermediaries that enable Distributors to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events, co-operative advertising, newsletters, and other financial intermediary-sponsored events. These payments

may vary depending upon the nature of the event, and can include travel expenses, such as lodging incurred by registered representatives and other employees in connection with training and educational meetings, client prospecting and due diligence trips.

Distributors routinely sponsors due diligence meetings for registered representatives during which they receive updates on various Franklin Templeton mutual funds and are afforded the opportunity to speak with portfolio managers. Invitation to these meetings is not conditioned on selling a specific number of shares. Those who have shown an interest in Franklin Templeton mutual funds, however, are more likely to be considered. To the extent permitted by their firm's policies and procedures, registered representatives' expenses in attending these meetings may be covered by Distributors.

*Data support payments.* Compensation may include data support payments to certain holders or financial intermediaries of record for accounts in one or more of the Franklin Templeton mutual funds. A financial intermediary's data support services may include the provision of analytical data on such accounts.

*Other payments.* Other compensation may be offered to the extent not prohibited by federal or state laws or any self-regulatory agency, such as FINRA. Distributors makes payments for events it deems appropriate, subject to Distributors' guidelines and applicable law.

You should ask your financial intermediary for information about any payments it receives from Distributors and any services provided.

In addition, Investor Services may make payments to financial intermediaries that provide administrative services to defined benefit plans. Investor Services does not seek reimbursement by the Fund for such payments.

**Contingent deferred sales charge (CDSC) – Class A and C** If you invest any amount in Class C shares, \$1 million or more in Class A shares of mutual funds with a maximum initial sales charge of 5.50% or \$500,000 or more for mutual funds with a maximum initial sales charge of 3.75% or 2.25%, either as a lump sum or through our cumulative quantity discount or letter of intent programs, a CDSC may apply on any Class A shares you sell within 18 months and any Class C shares you sell within 12 months of purchase. The CDSC is 1% of the value of the shares sold or the net asset value at the time of purchase, whichever is less, for Class A shares and Class C shares.

*CDSC waivers.* The CDSC for any share class will be waived for:

- Account fees

- Redemptions by the Fund when an account falls below the minimum required account size
- Redemptions following the death of the shareholder or beneficial owner
- Redemptions through a systematic withdrawal plan, up to 1% monthly, 3% quarterly, 6% semiannually or 12% annually of your account's net asset value depending on the frequency of your plan
- Redemptions by Employer Sponsored Retirement Plans
- Distributions from individual retirement accounts (IRAs) due to death or disability or upon periodic distributions based on life expectancy or returns of excess contributions and earnings
- Any trust or plan established as part of a qualified tuition program under Section 529 of the Code

**Exchange privilege** If you request the exchange of the total value of your account, accrued but unpaid income dividends and capital gain distributions will be reinvested in the Fund at net asset value on the date of the exchange, and the entire share balance will be exchanged into the new fund. Backup withholding and information reporting may apply.

If a substantial number of shareholders should, within a short period, sell their Fund shares under the exchange privilege, the Fund might have to sell portfolio securities it might otherwise hold and incur the additional costs related to such transactions. On the other hand, increased use of the exchange privilege may result in periodic large inflows of money. If this occurs, it is the Fund's general policy to initially invest this money in short-term, interest bearing money market instruments unless it is believed that attractive investment opportunities consistent with the Fund's investment goals exist immediately. This money will then be withdrawn from the short-term, interest bearing money market instruments and invested in portfolio securities in as orderly a manner as is possible when attractive investment opportunities arise.

The proceeds from the sale of shares of an investment company may not be available until the seventh day following the sale. The funds you are seeking to exchange into may delay issuing shares pursuant to an exchange until that seventh day. The sale of Fund shares to complete an exchange will be effected at net asset value at the close of business on the day the request for exchange is received in proper form.

In certain comprehensive fee or advisory programs that hold Class A shares, at the discretion of the financial intermediary, you may exchange to Advisor Class shares or Class Z shares (if offered by the fund).

Class C shares of a Franklin Templeton fund may be exchanged for Advisor Class or Class Z shares of the same fund, if offered by the fund, provided you meet the fund's eligibility requirements for purchasing Advisor Class or Class Z shares. Unless otherwise permitted, the Class C shares that you wish to exchange must not currently be subject to any CDSC.

**Systematic withdrawal plan** Our systematic withdrawal plan allows you to sell your shares and receive regular payments from your account on a monthly, quarterly, semiannual or annual basis. The value of your account must be at least \$5,000 and the minimum payment amount for each withdrawal must be at least \$50. For retirement plans subject to mandatory distribution requirements, the \$50 minimum will not apply. There are no service charges for establishing or maintaining a systematic withdrawal plan.

Each month in which a payment is scheduled, we will redeem an equivalent amount of shares in your account on the day of the month you have indicated on your account application or, if no day is indicated, on the 20th day of the month. If that day falls on a weekend or holiday, we will process the redemption on the next business day. When you sell your shares under a systematic withdrawal plan, it is a taxable transaction.

To avoid paying sales charges on money you plan to withdraw within a short period of time, you may not want to set up a systematic withdrawal plan if you plan to buy shares on a regular basis. Shares sold under the plan also may be subject to a CDSC.

For plans set up before June 1, 2000, we will continue to process redemptions on the 25th day of the month (or the next business day) unless you instruct us to change the processing date. Available processing dates currently are the 1st, 5th, 10th, 15th, 20th and 25th days of the month.

Redeeming shares through a systematic withdrawal plan may reduce or exhaust the shares in your account if payments exceed distributions received from the Fund. This is especially likely to occur if there is a market decline. If a withdrawal amount exceeds the value of your account, your account will be closed and the remaining balance in your account will be sent to you. Because the amount withdrawn under the plan may be more than your actual yield or income, part of the payment may be a return of your investment.

To discontinue a systematic withdrawal plan, change the amount and schedule of withdrawal payments, or suspend one payment, we must receive instructions from you at least three business days before a scheduled payment. The Fund may discontinue a systematic withdrawal plan by notifying you in writing and will discontinue a systematic withdrawal plan automatically if all shares in your account are withdrawn, if the Fund receives notification of the shareholder's death or incapacity, or if mail is returned to the Fund marked "unable to forward" by the postal service.

**Redemptions in kind** The Fund has committed itself to pay in cash (by check) all requests for redemption by any shareholder of record, limited in amount, however, during any 90-day period to the lesser of \$250,000 or 1% of the value of the Fund's net assets at the beginning of the 90-day period. This commitment is irrevocable without the prior approval of the SEC. In the case of redemption requests in excess of these amounts, the Fund reserves the right to make payments in whole or in part in securities or other assets of the Fund, in case of an emergency, or if the payment of such a redemption in cash would be detrimental to the existing shareholders of the Fund. In these circumstances, the securities distributed would be valued at the price used to compute the Fund's net assets and you may incur brokerage fees in converting the securities to cash. The Fund does not intend to redeem illiquid securities in kind. If this happens, however, you may not be able to recover your investment in a timely manner. In addition, in certain circumstances, the Fund may not be able to redeem securities in-kind or the investment manager may not have the ability to determine whether a particular redemption can be paid in-kind before the redemption request is paid.

**Share certificates** We will credit your shares to your Fund account, and we do not issue share certificates. This eliminates the costly problem of replacing lost, stolen or destroyed certificates.

Any outstanding share certificates must be returned to the Fund if you want to sell, exchange or reregister those shares or if you would like to start a systematic withdrawal plan. The certificates should be properly endorsed. You can do this either by signing the back of the certificate or by completing a share assignment form. For your protection, you may prefer to complete a share assignment form and to send the certificate and assignment form in separate envelopes. We do not issue new share certificates if any outstanding share certificates are returned to the Fund. If a certificate is lost, stolen or destroyed, you may have to pay an insurance premium of up to 2% of the value of the certificate to cancel it.

**General information** If the Fund receives notification of the shareholder's death or if mail is returned to the Fund by the postal service, we will consider this a request by you to change your dividend option to reinvest all future distributions until we receive new instructions. If the item of mail returned is a check, the proceeds may be reinvested in additional shares at the current day's net asset value.

Distribution or redemption checks sent to you do not earn interest or any other income during the time the checks remain uncashed. Neither the Fund nor its affiliates will be liable for any loss caused by your failure to cash such checks. The Fund is not responsible for tracking down uncashed checks, unless a check is returned as undeliverable.

In most cases, if mail is returned as undeliverable, we are required to take certain steps to try to find you free of charge. If these attempts are unsuccessful, however, we may deduct the costs of any additional efforts to find you from your account. These costs may include a percentage of the account when a search company charges a percentage fee in exchange for its location services.

Sending redemption proceeds by wire or electronic funds transfer (ACH) is a special service that we make available whenever possible. By offering this service to you, the Fund is not bound to meet any redemption request in less than the seven-day period prescribed by law. Neither the Fund nor its agents shall be liable to you or any other person if, for any reason, a redemption request by wire or ACH is not processed as described in the prospectus.

There are special procedures for banks and other institutions that wish to open multiple accounts. An institution may open a single master account by filing one application form with the Fund, signed by personnel authorized to act for the institution. Individual sub-accounts may be opened when the master account is opened by listing them on the application, or by providing instructions to the Fund at a later date. These sub-accounts may be registered either by name or number. The Fund's investment minimums apply to each sub-account. The Fund will send confirmation and account statements for the sub-accounts to the institution.

If you buy or sell shares through your securities dealer, we use the net asset value next calculated after your securities dealer receives your request, which is promptly transmitted to the Fund. If you sell shares through your securities dealer, it is your dealer's responsibility to transmit the order to the Fund in a timely fashion. Your redemption proceeds will not earn interest between the time we receive the order from your dealer and the time we receive any required documents. Any loss to you resulting from your dealer's failure to transmit your redemption order to the Fund in a timely fashion must be settled between you and your securities dealer. Certain shareholder servicing agents may be authorized to accept your transaction request. For institutional and bank trust accounts, there may be additional methods of buying or selling Fund shares than those described in this SAI or in the prospectus. Institutional and bank trust accounts include accounts opened by or in the name of a person (includes a legal entity or an individual) that has signed an Institutional Account Application or Bank Trust Account Application accepted by Franklin Templeton Institutional, LLC or entered into a selling agreement and/or servicing agreement with Distributors or Investor Services. For example, the Fund permits the owner of an institutional account to make a same day wire purchase if a good order purchase request is received (a) before 1 p.m. Pacific time or (b) through the National Securities Clearing Corporation's automated system for processing purchase orders (Fund/SERV), even though funds are delivered by wire after 1 p.m. Pacific time. If funds

to be wired are not received as scheduled, the purchase order may be cancelled or reversed and the institutional account owner could be liable for any losses or fees the Fund, Distributors and/or Investor Services may incur. "Good order" refers to a transaction request where the investor or financial intermediary (or other person authorized to make such requests) has provided complete information (e.g., fund and account information and the dollar amount of the transaction) to enable the processing of such request.

In the event of disputes involving conflicting claims of ownership or authority to control your shares, the Fund has the right (but has no obligation) to: (i) restrict the shares and require the written agreement of all persons deemed by the Fund to have a potential interest in the shares before executing instructions regarding the shares; or (ii) interplead disputed shares or the proceeds from the court-ordered sale thereof with a court of competent jurisdiction.

Should the Fund be required to defend against joint or multiple shareholders in any action relating to an ownership dispute, you expressly grant the Fund the right to obtain reimbursement for costs and expenses including, but not limited to, attorneys' fees and court costs, by unilaterally redeeming shares from your account.

The Fund or its transfer agent may be required (i) pursuant to a validly issued levy, garnishment or other form of legal process, to sell your shares and remit the proceeds to a levying officer or other recipient; or (ii) pursuant to a final order of forfeiture or other form of legal process, to sell your shares and remit the proceeds to the U.S. or state government as directed.

As long as we follow reasonable security procedures and act on instructions that we reasonably believe are genuine, we will not be responsible for any losses that may occur from unauthorized requests in any form (written, telephone, or online). We will investigate any unauthorized request that you report to us and we will ask you to cooperate with us in the investigation, which may require you to file a police report and complete a notarized affidavit regarding the unauthorized request. We will assist in the claims process, on your behalf, with other financial institutions regarding the unauthorized request.

Using good faith efforts, the investment manager attempts to identify class action litigation settlements and regulatory or governmental recovery funds involving securities presently or formerly held by the Fund or issuers of such securities or related parties (Claims) in which the Fund may be eligible to participate. When such Claims are identified, the investment manager will cause the Fund to file proofs of claim. Currently, such Claim opportunities predominate in the U.S. and in Canada; the investment manager's efforts are therefore focused on Claim opportunities in those jurisdictions. The investment manager may learn of such class action lawsuit or

victim fund recovery opportunities in jurisdictions outside of North America (Foreign Actions), in which case the investment manager has complete discretion to determine, on a case-by-case basis, whether to cause the Fund to file proofs of claim in such Foreign Actions. In addition, the investment manager may participate in bankruptcy proceedings relating to securities held by the Fund and join creditors' committees on behalf of the Fund.

Further, the investment manager may on occasion initiate and/or recommend, and the board of trustees of the Fund may approve, pursuit of separate litigation against an issuer or related parties in connection with securities presently or formerly held by the Fund (whether by opting out of an existing class action lawsuit or otherwise).

## The Underwriter

Franklin Distributors, LLC (Distributors) acts as the principal underwriter in the continuous public offering of the Fund's shares. Distributors is located at One Franklin Parkway, San Mateo, CA 94403-1906.

Distributors does not receive compensation from the Fund for acting as underwriter of the Fund's Class R6 and Advisor Class shares.

The table below shows the aggregate underwriting commissions Distributors received in connection with the offering of the Fund's Class A and C shares, the net underwriting discounts and commissions Distributors retained after allowances to dealers, and the amounts Distributors received in connection with redemptions or repurchases of shares for the last three fiscal years ended July 31:

	Total Commissions Received (\$)	Amount Retained by Distributors (\$)	Amount Received in Connection with Redemptions and Repurchases (\$)
2021	1,541,234	171,072	31,587
2020	988,646	107,678	28,735
2019	376,676	42,903	5,602

Distributors may be entitled to payments from the Fund under the Rule 12b-1 plans, as discussed below. Except as noted, Distributors received no other compensation from the Fund for acting as underwriter.

**Distribution and service (12b-1) fees Class A and C** The board has adopted a separate plan pursuant to Rule 12b-1 for each class. Although the plans differ in some ways for each class, each plan is designed to benefit the Fund and its shareholders. The plans are expected to, among other things, increase advertising of the Fund, encourage purchases of Fund shares and service to its shareholders, and increase or

maintain assets of the Fund so that certain fixed expenses may be spread over a broader asset base, with a positive impact on per share expense ratios. In addition, a positive cash flow into the Fund is useful in managing the Fund because the investment manager has more flexibility in taking advantage of new investment opportunities and handling shareholder redemptions.

Under each plan, the Fund pays Distributors or others for the expenses of activities that are primarily intended to sell shares of the class. These expenses also may include service fees paid to securities dealers or others who have executed a servicing agreement with the Fund, Distributors or its affiliates and who provide service or account maintenance to shareholders (service fees); and the expenses of printing prospectuses and reports used for sales purposes, of marketing support and of preparing and distributing sales literature and advertisements. Together, these expenses, including the service fees, are "eligible expenses." The 12b-1 fees charged to each class are based only on the fees attributable to that particular class and are calculated, as a percentage of such class' net assets, over the 12-month period of February 1 through January 31. Because this 12-month period may not match the Fund's fiscal year, the amount, as a percentage of a class' net assets, for the Fund's fiscal year may vary from the amount stated under the applicable plan, but will never exceed that amount during the 12-month period of February 1 through January 31.

*The Class A and C plans.* The Fund may pay up to 0.25% per year of Class A's average daily net assets.

The Fund pays Distributors up to 1% per year of Class C's average daily net assets, out of which 0.25% may be paid for services to the shareholders (service fees). The Class C plan also may be used to pay Distributors for advancing commissions to securities dealers with respect to the initial sale of Class C shares.

In implementing the Class A plan, the board has determined that the annual fees payable under the plan will be equal to the sum of: (i) the amount obtained by multiplying 0.25% by the average daily net assets represented by the Fund's Class A shares that were acquired by investors on or after May 1, 1994, the effective date of the plan (new assets), and (ii) the amount obtained by multiplying 0.15% by the average daily net assets represented by the Fund's Class A shares that were acquired before May 1, 1994 (old assets). These fees will be paid to the current securities dealer of record on the account. In addition, until such time as the maximum payment of 0.25% is reached on a yearly basis, up to an additional 0.05% will be paid to Distributors under the plan or, should Class A's assets fall below \$4 billion, up to an additional 0.02% could be paid to Distributors under the plan. The payments made to Distributors will be used by Distributors to defray other marketing expenses that have been incurred in accordance with the plan, such as advertising.

The fee is a Class A expense. This means that all Class A shareholders, regardless of when they purchased their shares, will bear Rule 12b-1 expenses at the same rate. The initial rate will be at least 0.20% (0.15% plus 0.05%) of the average daily net assets of Class A and, as Class A shares are sold on or after May 1, 1994, will increase over time. Thus, as the proportion of Class A shares purchased on or after May 1, 1994, increases in relation to outstanding Class A shares, the expenses attributable to payments under the plan also will increase (but will not exceed 0.25% of average daily net assets). While this is the currently anticipated calculation for fees payable under the Class A plan, the plan permits the board to allow the Fund to pay a full 0.25% on all assets at any time. The approval of the board would be required to change the calculation of the payments to be made under the Class A plan.

The Class A plan is a reimbursement plan. It allows the Fund to reimburse Distributors for eligible expenses that Distributors has shown it has incurred. The Fund will not reimburse more than the maximum amount allowed under the plan. Any unreimbursed expenses from one year may not be carried over to or reimbursed in later years.

The Class C plan is a compensation plan. It allows the Fund to pay a fee to Distributors that may be more than the eligible expenses Distributors has incurred at the time of the payment. Distributors must, however, demonstrate to the board that it has spent or has near-term plans to spend the amount received on eligible expenses. The Fund will not pay more than the maximum amount allowed under the plan.

Under the Class A plan, the amounts paid or accrued to be paid by the Fund pursuant to the plan for the fiscal year ended July 31, 2021, were:

	(\$)
Advertising	37,344
Printing and mailing prospectuses other than to current shareholders	201
Payments to underwriters	94,232
Payments to broker-dealers	2,185,016
Other	—
Total	<u>2,316,793</u>

Under the Class C plan, the amounts paid or accrued to be paid by the Fund pursuant to the plan for the fiscal year ended July 31, 2021, were:

	(\$)
Advertising	18,992
Printing and mailing prospectuses other than to current shareholders	65
Payments to underwriters	6,894
Payments to broker-dealers	957,874
Other	—
Total	<u>983,825</u>

In addition to the payments that Distributors or others are entitled to under each plan, each plan also provides that to the extent the Fund, the investment manager or Distributors or other parties on behalf of the Fund, the investment manager or Distributors make payments that are deemed to be for the financing of any activity primarily intended to result in the sale of Fund shares within the context of Rule 12b-1 under the 1940 Act, then such payments shall be deemed to have been made pursuant to the plan.

To the extent fees are for distribution or marketing functions, as distinguished from administrative servicing or agency transactions, certain banks may not participate in the plans because of applicable federal law prohibiting certain banks from engaging in the distribution of mutual fund shares. These banks, however, are allowed to receive fees under the plans for administrative servicing or for agency transactions.

Distributors must provide written reports to the board at least quarterly on the amounts and purpose of any payment made under the plans and any related agreements, and furnish the board with such other information as the board may reasonably request to enable it to make an informed determination of whether the plans should be continued.

Each plan has been approved according to the provisions of Rule 12b-1. The terms and provisions of each plan also are consistent with Rule 12b-1.

## Performance

Performance quotations are subject to SEC rules. These rules require the use of standardized performance quotations or, alternatively, that every non-standardized performance quotation furnished by the Fund be accompanied by certain standardized performance information computed as required by the SEC. Average annual total return before taxes, average annual total return after taxes on distributions, and average annual total return after taxes on distributions and sale of shares quotations used by the Fund are based on the standardized methods of computing performance mandated by the SEC. An explanation of these and other methods used by the Fund to compute or express performance follows. Regardless of the method used, past performance does not guarantee future results, and is an indication of the return to shareholders only for the limited historical period used.

**Average annual total return before taxes** Average annual total return before taxes is determined by finding the average annual rates of return over certain periods that would equate an initial hypothetical \$1,000 investment to its ending redeemable value. The calculation assumes that the maximum initial sales charge, if applicable, is deducted from the initial \$1,000 purchase, and income dividends and capital gain distributions are reinvested at net asset value. The quotation assumes the account was completely redeemed at the end of each period and the deduction of all applicable charges and fees. If a change is made to the sales charge structure, historical performance information will be restated to reflect the maximum initial sales charge currently in effect.

When considering the average annual total return before taxes quotations for Class A shares, you should keep in mind that the maximum initial sales charge reflected in each quotation is a one-time fee charged on all direct purchases, which will have its greatest impact during the early stages of your investment. This charge will affect actual performance less the longer you retain your investment in the Fund.

The following SEC formula is used to calculate these figures:

$$P(1+T)^n = ERV$$

where:

P = a hypothetical initial payment of \$1,000

T = average annual total return

n = number of years

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of each period at the end of each period

**Average annual total return after taxes on distributions**

Average annual total return after taxes on distributions is determined by finding the average annual rates of return over certain periods that would equate an initial hypothetical \$1,000 investment to its ending redeemable value, after taxes on distributions. The calculation assumes that the maximum initial sales charge, if applicable, is deducted from the initial \$1,000 purchase, and income dividends and capital gain distributions, less the taxes due on such distributions, are reinvested at net asset value. The quotation assumes the account was completely redeemed at the end of each period and the deduction of all applicable charges and fees, but assumes that the redemption itself had no tax consequences. If a change is made to the sales charge structure, historical performance information will be restated to reflect the maximum initial sales charge currently in effect.

Taxes due on distributions are calculated by applying the highest individual marginal federal income tax rates in effect on the reinvestment date, using the rates that correspond to

the tax character of each component of the distributions (e.g., the ordinary income rate for distributions of ordinary income and net short-term capital gains, and the long-term capital gain rate for distributions of net long-term capital gains). The taxable amount and tax character of a distribution may be adjusted to reflect any recharacterization of the distribution since its original date. Distributions are adjusted to reflect the federal tax impact the distribution would have on an individual taxpayer on the reinvestment date; for example, no taxes are assumed to be due on the portion of any distribution that would not result in federal income tax on an individual (e.g., tax-exempt interest or non-taxable returns of capital). The effect of applicable tax credits, such as the foreign tax credit, is taken into account in accordance with federal tax law. Any potential tax liabilities other than federal tax liabilities (e.g., state and local taxes) are disregarded, as are the effects of phaseouts of certain exemptions, deductions, and credits at various income levels, and the impact of the federal alternative minimum tax. Any redemptions of shares required to pay recurring fees charged to shareholder accounts are assumed to result in no additional taxes or tax credits.

The Fund's sales literature and advertising commonly refer to this calculation as the Fund's after-tax average annual total return (pre-liquidation). When considering the average annual total return after taxes on distributions quotations for Class A shares, you should keep in mind that the maximum initial sales charge reflected in each quotation is a one-time fee charged on all direct purchases, which will have its greatest impact during the early stages of your investment. This charge will affect actual performance less the longer you retain your investment in the Fund.

The following SEC formula is used to calculate these figures:

$$P(1+T)^n = ATVD$$

where:

P = a hypothetical initial payment of \$1,000

T = average annual total return (after taxes on distributions)

n = number of years

ATVD = ending value of a hypothetical \$1,000 payment made at the beginning of each period at the end of each period, after taxes on fund distributions but not after taxes on redemption

**Average annual total return after taxes on distributions and sale of fund shares**

Average annual total return after taxes on distributions and sale of fund shares is determined by finding the average annual rates of return over certain periods that would equate an initial hypothetical \$1,000 investment to its ending redeemable value, after taxes on distributions and sale of fund shares. The calculation assumes that the maximum initial sales charge, if applicable,

is deducted from the initial \$1,000 purchase, and income dividends and capital gain distributions are reinvested at net asset value. The quotation assumes the account was completely redeemed at the end of each period and the deduction of all applicable charges and fees, including taxes upon sale of fund shares. If a change is made to the sales charge structure, historical performance information will be restated to reflect the maximum initial sales charge currently in effect.

Taxes due on distributions are calculated by applying the highest individual marginal federal income tax rates in effect on the reinvestment date, using the rates that correspond to the tax character of each component of the distributions (e.g., the ordinary income rate for distributions of ordinary income and net short-term capital gains, and the long-term capital gain rate for distributions of net long-term capital gains). The taxable amount and tax character of a distribution may be adjusted to reflect any recharacterization of the distribution since its original date. Distributions are adjusted to reflect the federal tax impact the distribution would have on an individual taxpayer on the reinvestment date; for example, no taxes are assumed to be due on the portion of any distribution that would not result in federal income tax on an individual (e.g., tax-exempt interest or non-taxable returns of capital). The effect of applicable tax credits, such as the foreign tax credit, is taken into account in accordance with federal tax law. Any potential tax liabilities other than federal tax liabilities (e.g., state and local taxes) are disregarded, as are the effects of phaseouts of certain exemptions, deductions, and credits at various income levels, and the impact of the federal alternative minimum tax. Any redemptions of shares required to pay recurring fees charged to shareholder accounts are assumed to result in no additional taxes or tax credits.

The capital gain or loss upon redemption is calculated by subtracting the tax basis from the redemption proceeds, after deducting any nonrecurring charges assessed at the end of the period, subtracting capital gains taxes resulting from the redemption, or adding the tax benefit from capital losses resulting from the redemption. In determining the basis for a reinvested distribution, the distribution is included net of taxes assumed paid from the distribution, but not net of any sales loads imposed upon reinvestment. Tax basis is adjusted for any distributions representing returns of capital and any other tax basis adjustments that would apply to an individual taxpayer, as permitted by applicable federal law. The amount and character (e.g., short-term or long-term) of capital gain or loss upon redemption are separately determined for shares acquired through the initial investment and each subsequent purchase through reinvested distributions. Shares acquired through reinvestment of distributions are not assumed to have the same holding period as the initial investment. The tax character of such reinvestments is determined by the length of the period between reinvestment and the end of the measurement period in the case of reinvested distributions.

Capital gains taxes (or the benefit resulting from tax losses) are calculated using the highest federal individual capital gains tax rate for gains of the appropriate character in effect on the redemption date and in accordance with federal law applicable on the redemption date. Shareholders are assumed to have sufficient capital gains of the same character from other investments to offset any capital losses from the redemption, so that the taxpayer may deduct the capital losses in full.

The Fund's sales literature and advertising commonly refer to this calculation as the Fund's after-tax average annual total return (post-liquidation). When considering the average annual total return after taxes on distributions quotations for Class A or A1 shares, you should keep in mind that the maximum initial sales charge reflected in each quotation is a one-time fee charged on all direct purchases, which will have its greatest impact during the early stages of your investment. This charge will affect actual performance less the longer you retain your investment in the Fund.

The following SEC formula is used to calculate these figures:

$$P(1+T)^n = \text{ATV}_{\text{DR}}$$

where:

P = a hypothetical initial payment of \$1,000

T = average annual total return (after taxes on distributions and redemptions)

n = number of years

ATVDR = ending value of a hypothetical \$1,000 payment made at the beginning of each period at the end of each period, after taxes on fund distributions and redemption

**Cumulative total return** Like average annual total return, cumulative total return assumes that the maximum initial sales charge, if applicable, is deducted from the initial \$1,000 purchase, income dividends and capital gain distributions are reinvested at net asset value, the account was completely redeemed at the end of each period and the deduction of all applicable charges and fees. Cumulative total return, however, is based on the actual return for a specified period rather than on the average return.

**Volatility** Occasionally statistics may be used to show the Fund's volatility or risk. Measures of volatility or risk are generally used to compare the Fund's net asset value or performance to a market index. One measure of volatility is beta. Beta is the volatility of a fund relative to the total market, as represented by an index considered representative of the types of securities in which the fund invests. A beta of more than 1.00 indicates volatility greater than the market and a beta of less than 1.00 indicates volatility less than the market. Another measure of volatility or risk is standard deviation. Standard deviation is used to measure variability of net asset



value or total return around an average over a specified period of time. The idea is that greater volatility means greater risk undertaken in achieving performance.

**Other performance quotations** The Fund also may quote the performance of Class A shares without a sales charge. Sales literature and advertising may quote a cumulative total return, average annual total return and other measures of performance with the substitution of net asset value for the public offering price.

Sales literature referring to the use of the Fund as a potential investment for IRAs, business retirement plans, and other tax-advantaged retirement plans may quote a total return based upon compounding of dividends on which it is presumed no federal income tax applies.

The Fund may include in its advertising or sales material information relating to investment goals and performance results of funds belonging to Franklin Templeton. Resources is the parent company of the advisors and underwriter of Franklin Templeton funds.

### Miscellaneous Information

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The Fund may help you achieve various investment goals such as accumulating money for retirement, saving for a down payment on a home, college costs and other long-term goals. The Franklin College Savings Planner may help you in determining how much money must be invested on a monthly basis to have a projected amount available in the future to fund a child's college education. (Projected college cost estimates are based upon current costs published by the College Board.) The Franklin Retirement Savings Planner leads you through the steps to start a retirement savings program. Of course, an investment in the Fund cannot guarantee that these goals will be met.

The Fund is a member of the Franklin Templeton/Legg Mason fund complex, one of the largest mutual fund organizations in the U.S., and may be considered in a program for diversification of assets. Founded in 1947, Franklin is one of the oldest mutual fund organizations and now services more than 2 million shareholder accounts. In 1992, Franklin, a leader in managing fixed-income mutual funds and an innovator in creating domestic equity funds, joined forces with Templeton, a pioneer in international investing. The Mutual Series team, known for its value-driven approach to domestic equity investing, became part of the organization four years later. In 2001, the Fiduciary Trust team, known for providing global investment management to institutions and high net worth clients worldwide, joined the organization. On July 31, 2020, Franklin Templeton acquired Legg Mason, a global investment management firm with specialized expertise across asset classes and markets around the globe. Legg Mason's affiliates include: BrandywineGLOBAL, Clarion Partners, ClearBridge Investments, Martin Currie, Royce

Investment Partners and Western Asset. Together, Franklin Templeton has, as of October 31, 2021, over \$1.56 trillion in assets under management for more than 3 million U.S. based mutual fund shareholder and other accounts. Franklin Templeton and Legg Mason together offer over 300 U.S. based open-end investment companies to the public. The Fund may identify itself by its NASDAQ symbol or CUSIP number.

Currently, there are more mutual funds than there are stocks listed on the NYSE. While many of them have similar investment goals, no two are exactly alike. Shares of the Fund are generally sold through securities dealers, whose investment representatives are experienced professionals who can offer advice on the type of investments suitable to your unique goals and needs, as well as the risks associated with such investments.

### Description of Ratings

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#### Corporate Obligation Ratings

*Moody's*

#### INVESTMENT GRADE

Aaa: Bonds rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa: Bonds rated Aa are judged to be high quality and are subject to very low credit risk.

A: Bonds rated A are considered upper medium-grade obligations and are subject to low credit risk.

Baa: Bonds rated Baa are subject to moderate credit risk and are considered medium-grade obligations. As such they may have certain speculative characteristics.

#### BELOW INVESTMENT GRADE

Ba: Bonds rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B: Bonds rated B are considered speculative and are subject to high credit risk.

Caa: Bonds rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca: Bonds rated Ca are considered highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C: Bonds rated C are the lowest rated class of bonds and are typically in default. They have little prospects for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking in the lower end of that generic rating category.

### **S&P®**

The issue rating definitions are expressions in terms of default risk. As such, they pertain to senior obligations of an entity. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy. (Such differentiation applies when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.) Accordingly, in the case of junior debt, the rating may not conform exactly with the category definition.

### **INVESTMENT GRADE**

**AAA:** This is the highest rating assigned by S&P to a debt obligation. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA:** Obligations rated AA differ from AAA issues only in a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

**A:** Obligations rated A are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in the higher ratings categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB:** Obligations rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

### **BELOW INVESTMENT GRADE**

**BB, B, CCC, CC, C:** Obligations rated BB, B, CCC, CC and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest degree of speculation. While these obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB:** An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

**B:** An obligation rated B is more vulnerable to nonpayment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

**CCC:** An obligation rated CCC is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC:** An obligation rated CC is currently highly vulnerable to nonpayment.

**C:** A subordinated debt or preferred stock obligation rated C is currently highly vulnerable to nonpayment. The C rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on this obligation are being continued. The C rating is also assigned to a preferred stock issue in arrears on dividends or sinking fund payments, but that is still making payments.

**D:** An obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating is also used upon the filing of a bankruptcy petition or the taking of a similar action if payments on the obligation are jeopardized.

**Plus (+) or minus (-):** The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

**r:** This symbol is attached to the ratings of instruments with significant noncredit risks and highlights risks to principal or volatility of expected returns that are not addressed in the credit rating.

### **Short-Term Debt Ratings**

#### *Moody's*

Moody's short-term debt ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs and to individual short-term debt instruments. These obligations generally have an original maturity not exceeding 13 months, unless explicitly noted. Moody's employs the following designations to indicate the relative repayment capacity of rated issuers:

**P-1 (Prime-1):** Issuers (or supporting institutions) so rated have a superior ability to repay short-term debt obligations.

P-2 (Prime-2): Issuers (or supporting institutions) so rated have a strong ability to repay short-term debt obligations.

P-3 (Prime-3): Issuers (or supporting institutions) so rated have an acceptable ability to repay short-term debt obligations.

NP: Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

#### S&P®

S&P's ratings are a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days -- including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating.

A-1: This designation indicates that the obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: Issues carrying this designation are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations carrying the higher designations. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

A-3: Issues carrying this designation exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B: Issues carrying this designation are regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation. However, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

C: Issues carrying this designation are currently vulnerable to nonpayment and are dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D: Issues carrying this designation are in payment default. The D rating category is used when payments on an

obligation are not made on the due date even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.



## **APPENDIX A**

### **RESPONSIBILITY OF THE INVESTMENT MANAGER TO VOTE PROXIES**

Franklin Advisers, Inc. (hereinafter the "Investment Manager") has delegated its administrative duties with respect to voting proxies for securities to the Proxy Group within Franklin Templeton Companies, LLC (the "Proxy Group"), a wholly-owned subsidiary of Franklin Resources, Inc. Franklin Templeton Companies, LLC provides a variety of general corporate services to its affiliates, including, but not limited to, legal and compliance activities. Proxy duties consist of analyzing proxy statements of issuers whose stock is owned by any client (including both investment companies and any separate accounts managed by the Investment Manager) that has either delegated proxy voting administrative responsibility to the Investment Manager or has asked for information and/or recommendations on the issues to be voted. The Investment Manager will inform Advisory Clients that have not delegated the voting responsibility but that have requested voting advice about the Investment Manager's views on such proxy votes. The Proxy Group also provides these services to other advisory affiliates of the Investment Manager.

The Proxy Group will process proxy votes on behalf of, and the Investment Manager votes proxies solely in the best interests of, separate account clients, the Investment Manager-managed investment company shareholders, or shareholders of funds that have appointed Franklin Templeton International Services S.à.r.l. ("FTIS S.à.r.l.") as the Management Company, provided such funds or clients have properly delegated such responsibility in writing, or, where employee benefit plan assets subject to the Employee Retirement Income Security Act of 1974, as amended, are involved ("ERISA accounts"), in the best interests of the plan participants and beneficiaries (collectively, "Advisory Clients"), unless (i) the power to vote has been specifically retained by the named fiduciary in the documents in which the named fiduciary appointed the Investment Manager or (ii) the documents otherwise expressly prohibit the Investment Manager from voting proxies. The Investment Manager recognizes that the exercise of voting rights on securities held by ERISA plans for which the Investment Manager has voting responsibility is a fiduciary duty that must be exercised with care, skill, prudence and diligence.

In certain circumstances, Advisory Clients are permitted to direct their votes in a solicitation pursuant to the Investment Management Agreement. An Advisory Client that wishes to direct its vote shall give reasonable prior written notice to the Investment Manager indicating such intention and provide written instructions directing the Investment Manager or the Proxy Group to vote regarding the solicitation. Where such prior written notice is received, the Proxy Group will vote proxies in accordance with such written notification received from the Advisory Client.

The Investment Manager has adopted and implemented Proxy Voting Policies and Procedures ("Proxy Policies") that it believes are reasonably designed to ensure that proxies are voted in the best interest of Advisory Clients in accordance with its fiduciary duties and rule 206(4)-6 under the Investment Advisers Act of 1940. To the extent that the Investment Manager has a subadvisory agreement with an affiliated investment manager (the "Affiliated Subadviser") with respect to a particular Advisory Client, the Investment Manager may delegate proxy voting responsibility to the Affiliated Subadviser. The Investment Manager may also delegate proxy voting responsibility to a subadviser that is not an Affiliated Subadviser in certain limited situations as disclosed to fund shareholders (e.g., where an Investment Manager to a pooled investment vehicle has engaged a subadviser that is not an Affiliated Subadviser to manage all or a portion of the assets).

### **HOW THE INVESTMENT MANAGER VOTES PROXIES**

#### **Fiduciary Considerations**

All proxies received by the Proxy Group will be voted based upon the Investment Manager's instructions and/or policies. To assist it in analyzing proxies of equity securities, the Investment Manager subscribes to Institutional Shareholder Services Inc. ("ISS"), an unaffiliated third-party corporate governance research service that provides in-depth analyses of shareholder meeting agendas and vote recommendations. In addition, the Investment Manager subscribes to ISS's Proxy Voting Service and Vote Disclosure Service. These services include receipt of proxy ballots, custodian bank relations, account maintenance, vote execution, ballot

\* Rule 38a-1 under the Investment Company Act of 1940 ("1940 Act") and Rule 206(4)-7 under the Investment Advisers Act of 1940 ("Advisers Act") (together the "Compliance Rule") require registered investment companies and registered investment advisers to, among other things, adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws ("Compliance Rule Policies and Procedures").

reconciliation, vote record maintenance, comprehensive reporting capabilities, and vote disclosure services. Also, the Investment Manager subscribes to Glass, Lewis & Co., LLC ("Glass Lewis"), an unaffiliated third-party analytical research firm, to receive analyses and vote recommendations on the shareholder meetings of publicly held U.S. companies, as well as a limited subscription to its international research. Although analyses provided by ISS, Glass Lewis, and/or another independent third-party proxy service provider (each a "Proxy Service") are thoroughly reviewed and considered in making a final voting decision, the Investment Manager does not consider recommendations from a Proxy Service or any third-party to be determinative of the Investment Manager's ultimate decision. Rather, the Investment Manager exercises its independent judgment in making voting decisions. As a matter of policy, the officers, directors and employees of the Investment Manager and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of Advisory Clients.

For ease of reference, the Proxy Policies often refer to all Advisory Clients. However, our processes and practices seek to ensure that proxy voting decisions are suitable for individual Advisory Clients. In some cases, the investment manager's evaluation may result in an individual Advisory Client or Investment Manager voting differently, depending upon the nature and objective of the fund or account, the composition of its portfolio, whether the Investment Manager has adopted a specialty or custom voting policy, and other factors.

### **Circumstances Where the Investment Manager May Generally Rely on the Recommendations of a Proxy Service**

Certain of the Investment Manager's clients' accounts are separate accounts or funds (or a portion thereof) that follow a smart beta strategy, are passively managed to track a particular securities index, or employ a quantitative strategy. These accounts include certain client accounts managed by Franklin Templeton Investment Solutions ("FTIS"), a business unit of the Investment Manager that are managed systematically to either (i) track a specified securities index (including but not limited to exchange traded funds ("ETFs")) or (ii) seek to achieve other stated investment objectives.

In the case of accounts managed to track an index, the primary criteria for determining whether a security should be included (or continue to be included) in an investment portfolio is whether such security is a representative component of the securities index that the account is seeking to track. For other systematically-managed accounts that do not track a specific index, FTIS's proprietary methodologies rely on a combination of quantitative, qualitative, and behavioral analysis rather than fundamental security research and analyst coverage that an actively-managed portfolio would ordinarily employ. Accordingly, absent client direction, in light of the high number of positions held by such accounts and the considerable time and effort that would be required to review proxy statements and ISS or Glass Lewis recommendations, the Investment Manager may review ISS's non-US Benchmark guidelines, ISS's specialty guidelines (in particular, ISS's Sustainability guidelines), or Glass Lewis's US guidelines (the "the ISS and Glass Lewis Proxy Voting Guidelines") and determine, consistent with the best interest of its clients, to provide standing instructions to the Proxy Group to vote proxies according to the recommendations of ISS or Glass Lewis.

The Investment Manager, however, retains the ability to vote a proxy differently than ISS or Glass Lewis recommends if the Investment Manager determines that it would be in the best interests of Advisory Clients (for example, where an issuer files additional solicitation materials after a Proxy Service has issued its voting recommendations but sufficiently before the vote submission deadline and these materials would reasonably be expected to affect the Investment Manager's voting determination).

### **Conflicts of Interest**

All conflicts of interest will be resolved in the best interests of the Advisory Clients. The Investment Manager is an affiliate of a large, diverse financial services firm with many affiliates and makes its best efforts to mitigate conflicts of interest. However, as a general matter, the Investment Manager takes the position that relationships between certain affiliates acquired as a result of the Legg Mason transaction that do not use the "Franklin Templeton" name ("Legg Mason Affiliates") and an issuer (e.g., an investment management relationship between an issuer and a Legg Mason Affiliate) do not present a conflict of interest for the Investment Manager in voting proxies with respect to such issuer because: (i) the Investment Manager operates as an independent business unit from the Legg Mason Affiliate business units, and (ii) informational barriers exist between the Investment Manager and the Legg Mason Affiliate business units. Franklin Templeton employees are under an obligation to bring any conflicts of interest, including conflicts of interest which may arise because of an attempt by a Legg Mason Affiliate business unit or officer or employee to influence proxy voting by the Investment Manager to the attention of Franklin Templeton's Compliance.

Material conflicts of interest could arise in a variety of situations, including as a result of the Investment Manager's or an affiliate's (other than a Legg Mason Affiliate as described above): (i) material business relationship with an issuer or proponent, (ii) direct or indirect pecuniary interest in an issuer or proponent; or (iii) significant personal or family relationship with an issuer or proponent. Material conflicts of interest are identified by the Proxy Group based upon analyses of client, distributor, broker dealer, and vendor lists, information periodically gathered from directors and officers, and information derived from other sources, including public

filings. The Proxy Group gathers and analyzes this information on a best efforts basis, as much of this information is provided directly by individuals and groups other than the Proxy Group, and the Proxy Group relies on the accuracy of the information it receives from such parties.

Nonetheless, even though a potential conflict of interest between the Investment Manager or an affiliate (other than a Legg Mason Affiliate as described above) and an issuer may exist: (1) the Investment Manager may vote in opposition to the recommendations of an issuer's management even if contrary to the recommendations of a third-party proxy voting research provider; (2) if management has made no recommendations, the Proxy Group may defer to the voting instructions of the Investment Manager; and (3) with respect to shares held by Franklin Resources, Inc. or its affiliates for their own corporate accounts, such shares may be voted without regard to these conflict procedures.

Otherwise, in situations where a material conflict of interest is identified between the Investment Manager or one of its affiliates (other than Legg Mason Affiliates) and an issuer, the Proxy Group may vote consistent with the voting recommendation of a Proxy Service or send the proxy directly to the relevant Advisory Clients with the Investment Manager's recommendation regarding the vote for approval.

Where the Proxy Group refers a matter to an Advisory Client, it may rely upon the instructions of a representative of the Advisory Client, such as the board of directors or trustees, a committee of the board, or an appointed delegate in the case of a U.S. registered investment company, a conducting officer in the case of a fund that has appointed FTIS S.à.r.l as its Management Company, the Independent Review Committee for Canadian investment funds, or a plan administrator in the case of an employee benefit plan. A quorum of the board of directors or trustees or of a committee of the board can be reached by a majority of members, or a majority of non-recused members. The Proxy Group may determine to vote all shares held by Advisory Clients of the Investment Manager and affiliated Investment Managers (other than Legg Mason Affiliates) in accordance with the instructions of one or more of the Advisory Clients.

The Investment Manager may also decide whether to vote proxies for securities deemed to present conflicts of interest that are sold following a record date, but before a shareholder meeting date. The Investment Manager may consider various factors in deciding whether to vote such proxies, including the Investment Manager's long-term view of the issuer's securities for investment, or it may defer the decision to vote to the applicable Advisory Client. The Investment Manager also may be unable to vote, or choose not to vote, a proxy for securities deemed to present a conflict of interest for any of the reasons outlined in the first paragraph of the section of these policies entitled "Proxy Procedures."

Where a material conflict of interest has been identified, but the items on which the Investment Manager's vote recommendations differ from a Proxy Service relate specifically to (1) shareholder proposals regarding social or environmental issues, (2) "Other Business" without describing the matters that might be considered, or (3) items the Investment Manager wishes to vote in opposition to the recommendations of an issuer's management, the Proxy Group may defer to the vote recommendations of the Investment Manager rather than sending the proxy directly to the relevant Advisory Clients for approval.

To avoid certain potential conflicts of interest, the Investment Manager will employ echo voting or pass-through voting, if possible, in the following instances: (1) when a Franklin Templeton U.S. registered investment company invests in an underlying fund in reliance on any one of Sections 12(d)(1)(F), or (G) of the Investment Company Act of 1940, as amended, ("1940 Act"), the rules thereunder, or pursuant to a U.S. Securities and Exchange Commission ("SEC") exemptive order thereunder; (2) when a Franklin Templeton U.S. registered investment company invests uninvested cash in affiliated money market funds pursuant to the rules under the 1940 Act or any exemptive orders thereunder ("cash sweep arrangement"); or (3) when required pursuant to the fund's governing documents or applicable law. Echo voting means that the Investment Manager will vote the shares in the same proportion as the vote of all other holders of the fund's shares. With respect to instances when a Franklin Templeton U.S. registered investment company invests in an underlying fund in reliance on any one of Sections 12(d)(1)(F) or (G) of the 1940 Act, the rules thereunder, or pursuant to an SEC exemptive order thereunder, and there are no other unaffiliated shareholders also invested in the underlying fund, the Investment Manager will vote in accordance with the recommendation of such investment company's board of trustees or directors. In addition, to avoid certain potential conflicts of interest, and where required under a fund's governing documents or applicable law, the Investment Manager will employ pass-through voting when a Franklin Templeton U.S. registered investment company invests in an underlying fund in reliance on Section 12(d)(1)(E) of the 1940 Act, the rules thereunder, or pursuant to an SEC exemptive order thereunder. In "pass-through voting," a feeder fund will solicit voting instructions from its shareholders as to how to vote on the master fund's proposals. If a Franklin Templeton investment company becomes a holder of more than 25% of the shares on a non-affiliated fund, as a result of a decrease in the outstanding shares of the non-affiliated fund, then the Investment Manager will vote the shares in the same proportion as the vote of all other holders of the non-affiliated fund.

In addition, with respect to an open-ended collective investment scheme formed as a Société d'Investissement à capital variable (SICAV), in accordance with Luxembourg law, if one sub-fund (the "Acquirer") has invested in another sub-fund of the SICAV (the "Target"), then the voting rights attached to the shares of the Target will be suspended for voting purposes as long as they are held by the Acquirer. Similarly, in accordance with Canadian law, Canadian mutual funds that are invested in another proprietary mutual fund are prohibited from voting the units of the underlying fund.

### **Weight Given Management Recommendations**

One of the primary factors the Investment Manager considers when determining the desirability of investing in a particular company is the quality and depth of that company's management. Accordingly, the recommendation of management on any issue is a factor that the Investment Manager considers in determining how proxies should be voted. However, the Investment Manager does not consider recommendations from management to be determinative of the Investment Manager's ultimate decision. Each issue is considered on its own merits, and the Investment Manager will not support the position of a company's management in any situation where it determines that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

### **Engagement with Issuers**

The Investment Manager believes that engagement with issuers is important to good corporate governance and to assist in making proxy voting decisions. The Investment Manager may engage with issuers to discuss specific ballot items to be voted on in advance of an annual or special meeting to obtain further information or clarification on the proposals. The Investment Manager may also engage with management on a range of environmental, social or corporate governance issues throughout the year.

### **THE PROXY GROUP**

The Proxy Group is part of the Franklin Templeton Companies, LLC Legal Department and is overseen by legal counsel. Full-time staff members and support staff (which includes individuals that are employees of affiliates of Franklin Templeton Companies, LLC) are devoted to proxy voting administration and oversight and providing support and assistance where needed. On a daily basis, the Proxy Group will review each proxy upon receipt as well as any agendas, materials and recommendations that they receive from a Proxy Service or other sources. The Proxy Group maintains a record of all shareholder meetings that are scheduled for companies whose securities are held by the Investment Manager's managed funds and accounts. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst that follows the security and provide the analyst with the agenda, analyses of one or more Proxy Services, recommendations and any other information provided to the Proxy Group. Except in situations identified as presenting material conflicts of interest, the Investment Manager's research analyst and relevant portfolio manager(s) are responsible for making the final voting decision based on their review of the agenda, analyses of one or more Proxy Services, proxy statements, their knowledge of the company and any other information publicly available.

In situations where the Investment Manager has not responded with vote recommendations to the Proxy Group by the deadline date, the Proxy Group may vote consistent with the vote recommendations of a Proxy Service. Except in cases where the Proxy Group is voting consistent with the voting recommendation of a Proxy Service, the Proxy Group must obtain voting instructions from the Investment Manager's research analyst, relevant portfolio manager(s), legal counsel and/or the Advisory Client prior to submitting the vote. In the event that an account holds a security that the Investment Manager did not purchase on its behalf, and the Investment Manager does not normally consider the security as a potential investment for other accounts, the Proxy Group may vote consistent with the voting recommendations of a Proxy Service or take no action on the meeting.

### **PROXY PROCEDURES**

The Proxy Group is fully cognizant of its responsibility to process proxies and maintain proxy records as may be required by relevant rules and regulations. In addition, the Investment Manager understands its fiduciary duty to vote proxies and that proxy voting decisions may affect the value of shareholdings. Therefore, the Investment Manager will generally attempt to process every proxy it receives for all domestic and foreign securities. However, there may be situations in which the Investment Manager may be unable to successfully vote a proxy, or may choose not to vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank; (ii) a meeting notice was received too late; (iii) there are fees imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting; (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Investment Manager votes a proxy or where the Investment Manager is prohibited from voting by applicable law, economic or other sanctions, or other regulatory or market requirements, including but not limited to, effective Powers of Attorney; (v) additional documentation or the disclosure of beneficial owner details is required; (vi) the Investment Manager held shares on the record date but has sold them prior to the meeting date;

(vii) the Advisory Client held shares on the record date, but the Advisory Client closed the account prior to the meeting date; (viii) a proxy voting service is not offered by the custodian in the market; (ix) due to either system error or human error, the Investment Manager's intended vote is not correctly submitted; (x) the Investment Manager believes it is not in the best interest of the Advisory Client to vote the proxy for any other reason not enumerated herein; or (xi) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

Even if the Investment Manager uses reasonable efforts to vote a proxy on behalf of its Advisory Clients, such vote or proxy may be rejected because of (a) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions; (b) changes in the process or agenda for the meeting by the issuer for which the Investment Manager does not have sufficient notice; or (c) the exercise by the issuer of its discretion to reject the vote of the Investment Manager. In addition, despite the best efforts of the Proxy Group and its agents, there may be situations where the Investment Manager's votes are not received, or properly tabulated, by an issuer or the issuer's agent.

The Investment Manager or its affiliates may, on behalf of one or more of the proprietary registered investment companies advised by the Investment Manager or its affiliates, determine to use its best efforts to recall any security on loan where the Investment Manager or its affiliates (a) learn of a vote on a material event that may affect a security on loan and (b) determine that it is in the best interests of such proprietary registered investment companies to recall the security for voting purposes. The Investment Manager will not generally make such efforts on behalf of other Advisory Clients or notify such Advisory Clients or their custodians that the Investment Manager or its affiliates has learned of such a vote.

There may be instances in certain non-U.S. markets where split voting is not allowed. Split voting occurs when a position held within an account is voted in accordance with two differing instructions. Some markets and/or issuers only allow voting on an entire position and do not accept split voting. In certain cases, when more than one Franklin Templeton Investment Manager has accounts holding shares of an issuer that are held in an omnibus structure, the Proxy Group will seek direction from an appropriate representative of the Advisory Client with multiple Investment Managers (such as a conducting officer of the Management Company in the case of a SICAV), or the Proxy Group will submit the vote based on the voting instructions provided by the Investment Manager with accounts holding the greatest number of shares of the security within the omnibus structure.

The Investment Manager may vote against an agenda item where no further information is provided, particularly in non-U.S. markets. For example, if "Other Business" is listed on the agenda with no further information included in the proxy materials, the Investment Manager may vote against the item as no information has been provided prior to the meeting in order to make an informed decision. The Investment Manager may also enter a "withhold" vote on the election of certain directors from time to time based on individual situations, particularly where the Investment Manager is not in favor of electing a director and there is no provision for voting against such director.

If several issues are bundled together in a single voting item, the Investment Manager will assess the total benefit to shareholders and the extent that such issues should be subject to separate voting proposals.

The following describes the standard procedures that are to be followed with respect to carrying out the Investment Manager's proxy policy:

1. The Proxy Group will identify all Advisory Clients, maintain a list of those clients, and indicate those Advisory Clients who have delegated proxy voting authority in writing to the Investment Manager. The Proxy Group will periodically review and update this list. If the agreement with an Advisory Client permits the Advisory Client to provide instructions to the Investment Manager regarding how to vote the client's shares, the Investment Manager will make a best-efforts attempt to vote per the Advisory Client's instructions.
2. All relevant information in the proxy materials received (e.g., the record date of the meeting) will be recorded promptly by the Proxy Group to maintain control over such materials.
3. The Proxy Group will review and compile information on each proxy upon receipt of any agendas, materials, reports, recommendations from a Proxy Service, or other information. The Proxy Group will then forward (or otherwise make available) this information to the appropriate research analyst for review and voting instructions.
4. In determining how to vote, the Investment Manager's analysts and relevant portfolio manager(s) will consider their in-depth knowledge of the company, any readily available information and research about the company and its agenda items, and the recommendations of a Proxy Service.



5. The Proxy Group is responsible for maintaining the documentation that supports the Investment Manager's voting decision. Such documentation may include, but is not limited to, any information provided by a Proxy Service and, with respect to an issuer that presents a potential conflict of interest, any board or audit committee memoranda describing the position it has taken. Additionally, the Proxy Group may include documentation obtained from the research analyst, portfolio manager and/or legal counsel; however, the relevant research analyst may, but is not required to, maintain additional documentation that was used or created as part of the analysis to reach a voting decision, such as certain financial statements of an issuer, press releases, or notes from discussions with an issuer's management.
6. After the proxy is completed but before it is returned to the issuer and/or its agent, the Proxy Group may review those situations including special or unique documentation to determine that the appropriate documentation has been created, including conflict of interest screening. If the Proxy Group learns that an issuer has filed additional solicitation materials sufficiently prior to the submission deadline, the Proxy Group will disseminate this information to the Investment Manager so that the Investment Manager may consider this information and determine whether it is material to its voting decision.
7. The Proxy Group will make every effort to submit the Investment Manager's vote on all proxies to ISS by the cut-off date. However, in certain foreign jurisdictions or instances where the Proxy Group did not receive sufficient notice of the meeting, the Proxy Group will use its best efforts to send the voting instructions to ISS in time for the vote to be processed.
8. With respect to proprietary products, the Proxy Group will file Powers of Attorney in all jurisdictions that require such documentation on a best efforts basis; the Proxy Group does not have authority to file Powers of Attorney on behalf of other Advisory Clients. On occasion, the Investment Manager may wish to attend and vote at a shareholder meeting in person. In such cases, the Proxy Group will use its best efforts to facilitate the attendance of the designated Franklin Templeton employee by coordinating with the relevant custodian bank.
9. The Proxy Group prepares reports for each separate account client that has requested a record of votes cast. The report specifies the proxy issues that have been voted for the Advisory Client during the requested period and the position taken with respect to each issue. The Proxy Group sends one copy to the Advisory Client, retains a copy in the Proxy Group's files and forwards a copy to either the appropriate portfolio manager or the client service representative. While many Advisory Clients prefer quarterly or annual reports, the Proxy Group will provide reports for any timeframe requested by an Advisory Client.
10. If the Franklin Templeton Services, LLC Global Trade Services learns of a vote that may affect a security on loan from a proprietary registered investment company, Global Trade Services will notify the Investment Manager. If the Investment Manager decides that the vote is material and it would be in the best interests of shareholders to recall the security, the Investment Manager will advise Global Trade Services to contact the lending agent in an effort to retrieve the security. If so requested by the Investment Manager, Global Trade Services shall use its best efforts to recall any security on loan and will use other practicable and legally enforceable means to ensure that the Investment Manager is able to vote proxies for proprietary registered investment companies with respect to such loaned securities. However, there can be no guarantee that the securities can be retrieved for such purposes. Global Trade Services will advise the Proxy Group of all recalled securities. Many Advisory Clients have entered into securities lending arrangements with agent lenders to generate additional revenue. Under normal circumstances, the Investment Manager will not make efforts to recall any security on loan for voting purposes on behalf of other Advisory Clients or notify such clients or their custodians that the Investment Manager or its affiliates have learned of such a vote.
11. The Proxy Group participates in Franklin Templeton Investment's Business Continuity and Disaster Preparedness programs. The Proxy Group will conduct disaster recovery testing on a periodic basis in an effort to ensure continued operations of the Proxy Group in the event of a disaster. Should the Proxy Group not be fully operational, then the Proxy Group may instruct ISS to vote all meetings immediately due per the recommendations of the appropriate third-party proxy voting service provider.
12. The Proxy Group, in conjunction with legal staff responsible for coordinating Fund disclosure, on a timely basis, will file all required Form N-PXs, with respect to proprietary U.S. registered investment companies, disclose that each U.S.-registered fund's proxy voting record is available on the Franklin Templeton web site, and will make available the information disclosed in each fund's Form N-PX as soon as is reasonably practicable after filing Form N-PX with the SEC. The Proxy Group will work with legal staff in other jurisdictions, as needed, to help support required proxy voting disclosure in such markets.
13. The Proxy Group, in conjunction with legal staff responsible for coordinating Fund disclosure, will ensure that all required disclosure about proxy voting of the proprietary U.S. registered investment companies is made in such clients' disclosure documents.
14. The Proxy Group is subject to periodic review by Internal Audit and compliance groups.

15. The Investment Manager will review the guidelines of each Proxy Service, with special emphasis on the factors they use with respect to proxy voting recommendations.

16. The Proxy Group will update the proxy voting policies and procedures as necessary for review and approval by legal, compliance, investment officers, and/or other relevant staff.

17. The Proxy Group will familiarize itself with the procedures of ISS that govern the transmission of proxy voting information from the Proxy Group to ISS and periodically review how well this process is functioning. The Proxy Group, in conjunction with the compliance department, will conduct periodic due diligence reviews of each Proxy Service via on-site visits or by written questionnaires. As part of the periodic due diligence process, the Investment Manager assesses the adequacy and quality of each Proxy Service's staffing and personnel to ensure each Proxy Service has the capacity and competency to adequately analyze proxy issues and the ability to make proxy voting recommendations based on materially accurate information. In the event the Investment Manager discovers an error in the research or voting recommendations provided by a Proxy Service, it will take reasonable steps to investigate the error and seek to determine whether the Proxy Service is taking reasonable steps to reduce similar errors in the future. In addition, the Investment Manager assesses the robustness of Proxy Service's policies regarding (1) ensuring proxy voting recommendations are based on current and accurate information, and (2) identifying and addressing any conflicts of interest. The Investment Manager also considers the independence of each Proxy Service on an on-going basis.

18. The Proxy Group will investigate, or cause others to investigate, any and all instances where these Procedures have been violated or there is evidence that they are not being followed. Based upon the findings of these investigations, the Proxy Group, if practicable, will recommend amendments to these Procedures to minimize the likelihood of the reoccurrence of non-compliance.

19. At least annually, the Proxy Group will verify that:

- a. A sampling of proxies received by Franklin Templeton Investments has been voted in a manner consistent with the Proxy Voting Policies and Procedures;
- b. A sampling of proxies received by Franklin Templeton Investments has been voted in accordance with the instructions of the Investment Manager;
- c. Adequate disclosure has been made to clients and fund shareholders about the procedures and how proxies were voted in markets where such disclosures are required by law or regulation; and
- d. Timely filings were made with applicable regulators, as required by law or regulation, related to proxy voting.

The Proxy Group is responsible for maintaining appropriate proxy voting records. Such records will include, but are not limited to, a copy of all materials returned to the issuer and/or its agent, the documentation described above, listings of proxies voted by issuer and by client, each written client request for proxy voting policies/records and the Investment Manager's written response to any client request for such records, and any other relevant information. The Proxy Group may use an outside service such as ISS to support this recordkeeping function. All records will be retained in either hard copy or electronic format for at least five years, the first two of which will be on-site. Advisory Clients may request copies of their proxy voting records by calling the Proxy Group collect at 1-954-527-7678, or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. The Investment Manager does not disclose to third parties (other than ISS) the proxy voting records of its Advisory Clients, except to the extent such disclosure is required by applicable law or regulation or court order. Advisory Clients may review the Investment Manager's proxy voting policies and procedures on-line at [www.franklintempleton.com](http://www.franklintempleton.com) and may request additional copies by calling the number above. For U.S. proprietary registered investment companies, an annual proxy voting record for the period ending June 30 of each year will be posted to [www.franklintempleton.com](http://www.franklintempleton.com) no later than August 31 of each year. For proprietary Canadian mutual fund products, an annual proxy voting record for the period ending June 30 of each year will be posted to [www.franklintempleton.ca](http://www.franklintempleton.ca) no later than August 31 of each year. For proprietary Australian mutual fund products, an annual proxy voting record for the period ending June 30 of each year will be posted to [www.franklintempleton.com.au](http://www.franklintempleton.com.au) no later than September 30 of each year. The Proxy Group will periodically review the web site posting and update the posting when necessary. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the Investment Manager are available as required by law and is responsible for overseeing the filing of such U.S. registered investment company voting records with the SEC.

## **PROCEDURES FOR MEETINGS INVOLVING FIXED INCOME SECURITIES & PRIVATELY HELD ISSUERS**

From time to time, certain custodians may process events for fixed income securities through their proxy voting channels rather than corporate action channels for administrative convenience. In such cases, the Proxy Group will receive ballots for such events

on the ISS voting platform. The Proxy Group will solicit voting instructions from the Investment Manager for each account or fund involved. If the Proxy Group does not receive voting instructions from the Investment Manager, the Proxy Group will take no action on the event. The Investment Manager may be unable to vote a proxy for a fixed income security, or may choose not to vote a proxy, for the reasons described under the section entitled "Proxy Procedures."

In the rare instance where there is a vote for a privately held issuer, the decision will generally be made by the relevant portfolio managers or research analysts.

The Proxy Group will monitor such meetings involving fixed income securities or privately held issuers for conflicts of interest in accordance with these procedures. If a fixed income or privately held issuer is flagged as a potential conflict of interest, the Investment Manager may nonetheless vote as it deems in the best interests of its Advisory Clients. The Investment Manager will report such decisions on an annual basis to Advisory Clients as may be required.

The ISS proxy voting guidelines can be found at: <https://www.issgovernance.com/policy-gateway/voting-policies/>.

The Glass Lewis proxy voting guidelines can be found at: <https://www.glasslewis.com/voting-policies-current/>.