

**SUPPLEMENT TO THE  
OFFERING MEMORANDUM OF  
FRANKLIN TEMPLETON CAYMAN SPC FUND  
30 OCTOBER 2019**

This Supplement relates to **Franklin USD Diversified Bond VII 2024 SP** (the "**Segregated Portfolio**"), a segregated portfolio of Franklin Templeton Cayman SPC Fund (the "**Fund**") and should be read in conjunction with the Offering Memorandum of the Fund (the "**Offering Memorandum**").

Potential investors in the Segregated Portfolio must carefully review this Supplement and the Offering Memorandum.

Any statement contained herein that is additional to, different from, or inconsistent with, any statement contained in the Offering Memorandum shall be deemed to amend, modify and supersede any such prior statement.

All capitalised terms used herein have the same meaning set forth in the Offering Memorandum unless specified otherwise.

In this Supplement, the following expressions have the following meanings:

<b>"Broker/Dealers"</b>	means financial intermediary or advisor.
"Business Days"	a day on which the banks in Hong Kong, Singapore or Dubai International Financial Centre are normally open for business; provided that Friday shall be regarded as a Business Day in Dubai International Financial Centre; and provided that where, as a result of a number 8 or higher typhoon signal, black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day in Hong Kong, unless the Board of Directors and the Investment Manager determine otherwise,
"Closing Date"	28 November 2019 or such other date determined by the Board of Directors.
"Inception Date"	29 November or such other date determined by the Board of Directors.
"Maturity Date"	means 2 December 2024 or such other date determined by the Board of Directors.

“Valuation Day”	any day on which the New York Stock Exchange ("NYSE") is open for normal business (other than during a suspension of normal dealing)
“Valuation Time”	16:00 Eastern Time
“Contingent Deferred Sales Charge” or “CDSC”	means a fee imposed when shares are sold, typically during the first few years of ownership.
“Emerging Markets”	emerging market countries as defined by the Emerging Markets or Frontier Markets indices published by Morgan Stanley Capital International.
“Investment Manager”	Franklin Templeton Investments Australia Limited
“Investor Services”	Franklin Templeton Investments (Asia) Limited
“Principal Distributor”	Franklin Templeton Investments (Asia) Limited

## **The Segregated Portfolio**

### Establishment

The Segregated Portfolio was established on 15 October 2019.

### Investment Objective

The Segregated Portfolio’s investment objective is to offer a yield pickup by investing primarily in USD-denominated bonds with a pre-determined yield at the time of investment over a 5 year period.

### Investment Policy

The Segregated Portfolio invests primarily in USD-denominated investment grade debt securities issued by corporations (including financial institutions), sovereign governments (including government agencies and government-related bodies) and/or supranational entities worldwide (including Emerging Markets) with no prescribed industry sector or market capitalisation limits. Debt securities may include bonds (including callable bonds, covered bonds, bonds convertible into common stock and hybrid bonds), floating rate notes, commercial papers and contingent capital securities. Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Segregated Portfolio may also seek investment opportunities in other types of securities.

The Segregated Portfolio may invest up to 40% of its total net assets in below investment grade ("high yield") debt securities or unrated securities deemed to be equivalent to below investment grade.

The Segregated Portfolio may utilize financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on regulated markets or over-the-counter, and may include, inter alia, interest rate swaps, cross-currency swaps and futures contracts (including those on government securities). Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit.

The Investment Manager has determined that the portfolio yield will be converted to a floating rate yield based on market conditions ahead of the subscription Offer Period. The Segregated Portfolio will invest in interest rate derivatives (including but not limited to interest rate swaps, cross-currency swaps and futures).

The Segregated Portfolio may, on an ancillary basis, hold liquid assets when the Investment Manager believes they offer more attractive opportunities or as a temporary defensive measure in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. In exceptional market circumstances and on a temporary basis only, up to 100% of the Segregated Portfolio's net assets may be invested in liquid assets, with due regard to the principle of risk spreading. Such assets may be kept in the form of cash deposits or in money market instruments.

### Investment Phases

The Segregated Portfolio will feature two distinct phases as described below:

- *Principal Investment Period:*

The Segregated Portfolio will pursue its investment objective for a period of 5 years following its inception ("**Principal Investment Period**"), as described above. While the Segregated Portfolio will generally seek to match the maturities of its investments to the term of the Segregated Portfolio (5 years), some or all of the Segregated Portfolio's investments may mature before or after the Maturity Date, which is the end of the Principal Investment Period. Although it is intended that the Segregated Portfolio will hold securities until the Maturity Date, the Investment Manager has the discretion to sell them prior to their maturity and to replace them with securities that it believes will provide better investment returns. The Segregated Portfolio may invest some or all of its assets in securities (such as, but not limited to, bullet bonds and callable bonds) maturing or with their first call date up to the Maturity Date and may also invest up to 20% of its net assets in securities maturing or with their first call date after the Maturity Date and up to 6 months after the Maturity Date (the "**Principal Cut-off Date**"). The Segregated Portfolio will be actively managed to maintain its investment objective, including its targeted credit quality.

- *Post-Investment Period:*

As the Maturity Date approaches, the Segregated Portfolio's portfolio will be progressively composed of cash deposits and cash equivalents (such as, but not limited to, money market instruments and other short-term debt instruments). Consequently, the investment objective described herein is reflective of the Segregated Portfolio at inception and will no longer be relevant as the Maturity Date approaches. Once the Segregated Portfolio's Principal Investment Period has ended, it shall hold up to 100% of its net assets in cash deposits and cash equivalent investments (such as, but not limited to, money market instruments and other short-term debt instruments).

It is intended that the Segregated Portfolio will be discontinued on the Maturity Date and thereafter, the Segregated Portfolio will be terminated and the assets of the portfolio will be returned to the remaining Shareholders in accordance with the Articles. The Maturity Date may be deferred or brought forward if the Board of Directors believes that it is in the best interests of the Segregated Portfolio.

## Investment Restrictions

The Board of Directors has adopted the following restrictions relating to the investment of the Segregated Portfolio's assets and its activities. These restrictions may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Segregated Portfolio in which case this Supplement will be updated.

The Segregated Portfolio may not:

- purchase real estate, nor acquire any options, rights or interest in respect thereof, provided that the Segregated Portfolio may invest in securities secured by real estate or interest therein or in securities of companies investing in real estate;
- make investments in precious metals or certificates representing them;
- enter into direct commodities transactions or commodity contracts;
- make loans to other persons or act as a guarantor on behalf of third parties or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness or any person in respect of borrowed monies, provided that for the purpose of this restriction, the acquisition of bonds, debentures or other corporate or sovereign debt obligations (whether wholly or partly paid) and investment in securities issued or guaranteed by any sovereign entity or by any supranational institution, organisation or authority, short term commercial paper, certificates of deposit and bankers' acceptances of prime issuers or other traded debt instruments shall not be deemed to be the making of a loan;
- mortgage, pledge, hypothecate, charge or in any manner transfer as security for indebtedness, any of the securities or other assets of the Segregated Portfolio. The purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements (including title transfers) with respect to the writing of options or the purchase or sale of forward or futures contracts or other derivative arrangements are not deemed the pledge, hypothecation, or transfer of the assets; or
- make investments into tobacco, gambling or alcohol companies.

Generally, the policies and restrictions discussed above will apply when the Segregated Portfolio makes an investment. In most cases, the Segregated Portfolio will not be required to sell a security because circumstances change and the security no longer meets one or more of the Segregated Portfolio'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 or liquidity of portfolio securities will not be considered a violation of the restriction or limitation. For the avoidance of doubt, if the Segregated Portfolio is no longer able to comply with one or more of the Segregated Portfolio's investment policies and restrictions as a result of the return of some or all of the proceeds of maturing bonds to Shareholders as a distribution of capital, including but not limited to the Segregated Portfolio's ability to continue to meet any portfolio concentration limits, this shall not be considered a violation of any investment restriction or limitation.

## **Investor Profile**

Considering the investment objective and policy and the term of the Segregated Portfolio, as stated above, the Segregated Portfolio may appeal to Investors seeking:

- regular income in a fund having the United States Dollar as its base currency and investing primarily in USD-denominated high-quality fixed income securities;
- to keep their investment in the Segregated Portfolio until the Maturity Date and receive the proceeds from securities that mature prior to the Maturity Date; and
- to hedge against interest rate movements.

## **Risk Management**

The Investment Manager employs a risk-management process, which enables it to monitor and measure at any time the risk of the positions of the Segregated Portfolio and their contribution to the overall risk profile of the Segregated Portfolio.

## **Selling Restrictions**

For a list of the applicable selling restrictions, please see “Selling Restrictions” in the Offering Memorandum. In addition, the following selling restrictions shall apply for the Segregated Portfolio.

### **Dubai International Financial Centre**

No offer or promotion of the Segregated Portfolio or the Participating Shares has been or will be made in the Dubai International Financial Centre (“DIFC”) except by an “Authorised Firm” in accordance with applicable laws and regulations of the Dubai Financial Services Authority (“DFSA”). The Segregated Portfolio intends to rely on the Suitability Assessment, the criteria of which is set out in Chapter 15.1.8 of the Collective Investment Rules implemented by the DFSA.

The Segregated Portfolio is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with the Segregated Portfolio. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out herein and has no responsibility for it. The Participating Shares to which this document relates may be subject to restrictions on their resale. Prospective investors should conduct their own due diligence on the Participating Shares. If you do not understand the contents of this document, you should consult an authorised financial advisor. No Participating Shares are offered to Retail Clients (as defined in the Glossary Module of the DFSA Rulebook (as amended)).

### **Hong Kong**

The contents of the Offering Memorandum and/or this Supplement or amendments to it have not been reviewed or authorised by any regulatory authority in Hong Kong (including but not limited to the Securities and Futures Commission). You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document or whether you are qualified as a “professional investor” (as defined below), you should obtain independent professional advice.

The Offering Memorandum and/or this Supplement do not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or a notice, circular, brochure, advertisement or other document offering any securities to the public in Hong Kong for subscription or purchase or calculated to invite such offers by the public in Hong Kong to subscribe for or purchase any securities, nor is it an advertisement, invitation or document which is or contains an invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue, circulate, distribute or cause to be issued, circulated or distributed the Offering Memorandum and/or this Supplement in Hong Kong, other than (i) to persons who are “professional investors” as defined in the SFO and any rules made thereunder or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and no person may issue or have in its possession for the purposes of issue, the Offering Memorandum and/or this Supplement or any advertisement, invitation or document relating to the offer, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to the offer that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

In Hong Kong, the offer is personal to and for the exclusive use of the person to whom this document is issued, and an acquisition or subscription for securities pursuant to the offer will only be accepted from such person. Circulation of the Offering Memorandum and/or this Supplement in Hong Kong must be restricted to offerees who qualify as professional investors as defined in the SFO and any rules made thereunder, marked “Confidential” and include an express statement that the Offering Memorandum and/or this Supplement is being sent to the recipient for his/her own use and must not be shown or distributed to other persons. No person to whom a copy of the Offering Memorandum and/or this Supplement is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) the Offering Memorandum and/or this Supplement in any form to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the offer by the person to whom the Offering Memorandum and/or this Supplement is addressed.

WARNING TO INTERMEDIARIES: It is an offence to offer any fund to the public in Hong Kong unless an exemption under section 103 of the Securities and Futures Ordinance applies. Intermediaries should take note of this restriction. If an intermediary solicits the sale of or recommends any financial product to its clients in Hong Kong, the intermediary may be required to ensure that the financial product is reasonably suitable for the client having regard to the client’s financial situation, investment experience and investment objectives.

### **Saudi Arabia**

The Offering Memorandum and/or this Supplement has not been approved by the Capital Markets Authority of Saudi Arabia which takes no responsibility for its contents. No offer to the public to purchase the Participating Shares will be made in Saudi Arabia and the Offering Memorandum and/or this Supplement is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

## **Singapore**

The offer or invitation which is the subject of the Offering Memorandum and/or this Supplement does not relate to a collective investment scheme which is authorised under Section 286 or recognised under Section 287 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") by the Monetary Authority of Singapore (the "MAS"). Offers of Participating Shares made using the Offering Memorandum and/or this Supplement are only allowed to be made to accredited investors and institutional investors and not the retail public in Singapore. The Offering Memorandum and/or this Supplement is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

As the Offering Memorandum and/or this Supplement has not been registered as a prospectus with the MAS, the Offering Memorandum and/or this Supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Participating Shares may not be circulated or distributed, nor may Participating Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an accredited investor, and in accordance with the conditions, specified in Section 305 of the SFA, (ii) to an institutional investor or person specified in Section 304 of the SFA, or (iii) in accordance with the conditions of any other applicable provisions of the SFA, as the same may be amended from time to time. Participating Shares subscribed or purchased pursuant to Sections 304 or 305 of the SFA may only be transferred in accordance with provisions of Sections 304A and 305A of the SFA respectively.

Where the Participating Shares are acquired under Section 305 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the Participating Shares under Section 305 except:

(1) to an institutional investor or to a relevant person as defined in Section 305(5) or arising from an offer under Section 275(1A) of the SFA; (2) where no consideration is given for the transfer; or (3) where the transfer is by operation of law.

Where the Participating Shares are acquired under Section 305 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that trust has acquired the Participating Shares under Section 305 except:

(1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA or arising from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than SGD200,000 (or its equivalent in a foreign currency) (or such other amount as may be prescribed under the SFA) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; (2) where no consideration is given for the transfer; or (3) where the transfer is by operation of law.

## **Oman**

The information contained in the Offering Memorandum and/or this Supplement neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman

(Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued by Decision No.1/2009). Additionally, the Offering Memorandum and/or this Supplement is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

### **United Arab Emirates (excluding the DIFC)**

The Offering Memorandum and/or this Supplement, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates ("UAE") in accordance with the Commercial Companies Law, Federal Law No. No. 2 of 2015) (as amended) or otherwise and accordingly should not be construed as such. The Participating Shares are only being privately offered to a limited number of sophisticated investors in the UAE who (a) are willing and able to conduct an independent investigation of the risks involved in an investment in such Participation Shares, and (b) upon their specific request. The Offering Memorandum and/or this Supplement is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

The promotion of the Segregated Portfolio by way of a private placement offering of the Participating Shares has been approved by the Securities and Commodities Authority ("SCA"). Each Investor that is purchasing Shares in the UAE (excluding the DIFC) shall be required to invest a minimum of AED 1,000,000 (or the equivalent in a foreign currency) in the Segregated Portfolio. SCA approval for the promotion of the Segregated Portfolio in the UAE does not constitute a recommendation to invest in the Segregated Portfolio. In addition, SCA is not responsible for the failure by any party or parties associated with the Segregated Portfolio in the performance of their duties and functions nor is SCA responsible for the accuracy and integrity of the information and the details contained in the Offering Memorandum and/or this Supplement.

### **Switzerland**

Please see Appendix C.

### **Risk Factors**

For a description of the risks involved in investments in the Segregated Portfolio, please see "Risk Factors" in the Offering Memorandum. In addition, investors should be aware of the following specific risks for the Segregated Portfolio set out in detail below:

- Call risk
- Default risk
- Defaulted Debt Securities risk
- Derivative Instruments risk
- Floating Rate Exposure risk
- Interbank Offered Rates Risk;

- Fund Management and Operation risk
- Investment Policy risk
- Legal and regulatory risk
- Swap Agreements risk

### **Call risk**

Debt securities are subject to call risk when the issuer can repay the principal, in whole or in part, prior to the security's maturity. When the Segregated Portfolio reinvests the proceeds of the repaid principal it receives, it may experience reinvestment risk is the risk that future cash flows – either coupons (the periodic interest payments on the bond) or the final return of principal – will need to be reinvested in lower-yielding securities.

### **Default risk**

Failure of a given issuer to meet its financial obligations could affect the Net Asset Value of the Segregated Portfolio. Default risk can be temporary or permanent and can result in loss of interest payments and principal. In addition to losses, default risk could also entail the issuance of new securities such as equities, convertible bonds, or warrants.

### **Defaulted Debt Securities risk**

The Segregated Portfolio may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). The Segregated Portfolio may buy defaulted debt securities if, in the opinion of the Investment Manager, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Segregated Portfolio's portfolio defaults, the Segregated Portfolio may have unrealised losses on the security, which may lower the Segregated Portfolio's Net Asset Value per Participating Share. Defaulted securities tend to lose much of their value before they default. Thus, the Segregated Portfolio's Net Asset Value per Participating Share may be adversely affected before an issuer defaults. In addition, the Segregated Portfolio may incur additional expenses if it must try to recover principal or interest payments on a defaulted security.

Included among the issuers of debt securities or obligations in which the Segregated Portfolio may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

### **Derivative Instruments risk**

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. The Segregated Portfolio may use interest rate swaps, cross-currency swaps, futures contracts and other derivative instruments on currencies, securities, indices, interest rates or other reference assets for hedging, efficient portfolio management and/or investment purposes. The use

of derivative instruments for hedging purposes should in no respect be taken to imply that the Segregated Portfolio's investments will be without risk. Substantial losses may be recognised even on "hedged" positions, and illiquidity and default on one side of a position can effectively result in the position not being the "hedge" that was intended, resulting in potential losses for the Segregated Portfolio.

Derivative instruments involve costs and can create economic leverage in the Segregated Portfolio's portfolio which may result in significant volatility and cause the Segregated Portfolio to participate in losses (as well as gains) in an amount that significantly exceeds the Segregated Portfolio's initial investment. In the case of futures transactions, the amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Segregated Portfolio. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Segregated Portfolio is fixed, the Segregated Portfolio may sustain a loss well in excess of that amount. The Segregated Portfolio will also be exposed to the risk of the purchaser exercising the option and the Segregated Portfolio will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the Segregated Portfolio holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced. The risk of loss to a Segregated Portfolio for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Segregated Portfolio, the risk of loss to the Segregated Portfolio is the loss of the entire amount that the Segregated Portfolio is entitled to receive; if the Segregated Portfolio is obliged to pay the net amount, the Segregated Portfolio's risk of loss is limited to the net amount due (please also refer to "Swap Agreements risk" below).

Certain derivatives have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause the Segregated Portfolio to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the Segregated Portfolio may not realise the intended benefits. Their successful use will usually depend on the Investment Manager's ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, the Segregated Portfolio may not achieve the anticipated benefits of the transaction, and it may realise losses, which could be significant. If the Investment Manager is not successful in using such derivative instruments, the Segregated Portfolio's performance may be worse than if the Investment Manager did not use such derivative instruments at all. To the extent that the Segregated Portfolio uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

The Segregated Portfolio may engage in transactions involving derivative instruments that trade on exchanges or that may be privately negotiated and trade "over-the-counter" (OTC) and not on an exchange. Exchange-traded derivatives include futures, options, options on futures, and warrants. Examples of OTC derivative instruments include currency forwards, interest rate swaps, credit default swaps, total return swaps or contracts for differences. Use of such OTC instruments could result in a loss if the counterparty to the transaction (with respect to forward currency contracts and other OTC derivatives) does not perform

as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Collateral is employed for many OTC derivative transactions – it needs to be pledged to the counterparty if the Segregated Portfolio has a net loss on a given transaction and the Segregated Portfolio may hold collateral pledged by the counterparty to the Segregated Portfolio if the Segregated Portfolio has a net gain on a given transaction. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Segregated Portfolio or will not be absorbed by other outstanding obligations of the counterparty. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that the Segregated Portfolio is unable to close out a position because of market illiquidity, the Segregated Portfolio may not be able to prevent further losses of value in its derivatives holdings and the Segregated Portfolio's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. The Segregated Portfolio may also be required to take or make delivery of an underlying instrument that the Investment Manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while the Segregated Portfolio may intend to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the Investment Manager elects not to do so due to availability, cost or other factors.

Financial derivative instruments may be used for, among other purposes, synthetic short selling. In order to replicate short exposure either for investment purposes or to hedge a long position in the same or a similar asset, synthetic short selling can be accomplished through the use of derivatives. The purchase of credit default swaps (CDS), for example, for a particular issuer without owning a debt obligation of that issuer effectively results in the Segregated Portfolio having a short exposure to that issuer. The Segregated Portfolio may also purchase credit default swaps to hedge an existing position in the same issuer. Purchasing a put option on a stock, debt obligation, or a currency without owning the stock, debt obligation or currency is also effectively going short (and again such a transaction may be entered into for the purpose of hedging an existing position). The only investment at risk in such strategies is the premium paid for the CDS or option, unlike the case of going short actual stocks, bonds or currencies where the full investment in such assets is at risk. Another synthetic short selling strategy is the selling of interest rate futures which will benefit from a rise in interest rates, thereby replicating going short interest rates. Where premium is paid for such synthetic short selling strategies (e.g. for credit default swaps or put options), there is the possibility of losing the entire investment if no credit event occurs (in the case of credit default swaps) or the option expires worthless (because the underlying asset did not fall below the strike price). Where a futures contract is entered into (e.g. selling interest rate futures), the potential loss is governed by the degree to which interest rates move down instead of up, the conversion factor applied vis-à-vis the basket of eligible securities, the time to delivery, and the notional amount associated with the contract. Additional strategies similar to these may be implemented with similar consequences and potential risks. Risk is mitigated by virtue of daily adjustment of variation margin and/or the maintenance of eligible collateral against the position. There is no assurance that such synthetic short selling strategies as described herein will be as effective in achieving short exposure for investment or hedging purposes as actual short selling strategies.

Under recent financial reforms, certain types of derivatives (i.e., certain swaps) are, and others eventually are expected to be, required to be cleared through a central counterparty. Central clearing is designed to reduce counterparty credit risk and increase liquidity compared to OTC swaps, but it does not eliminate those risks completely. With cleared swaps, there is also a risk of loss by the Segregated Portfolio of its initial and variation margin deposits in the event of bankruptcy of the Futures Commission Merchant ("FCM") with which the Segregated Portfolio has an open position in a swap contract. If an FCM does not

provide accurate reporting, the Segregated Portfolio is also subject to the risk that the FCM could use the Segregated Portfolio's assets to satisfy its own financial obligations or the payment obligations of another customer to the central counterparty. With cleared swaps, the Segregated Portfolio may not be able to obtain as favourable terms as it would be able to negotiate for a bilateral, uncleared swap. In addition, an FCM may unilaterally amend the terms of its agreement with the Segregated Portfolio, which may include the imposition of position limits or additional margin requirements with respect to the Segregated Portfolio's investment in certain types of swaps. Central counterparties and FCMs generally can require termination of existing cleared swap transactions at any time, and can also require increases in margin above the margin that is required at the initiation of the swap agreement.

The regulation of cleared and uncleared swaps, as well as other derivatives, is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, regulators and exchanges in many jurisdictions are authorised to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. It is not possible to predict fully the effects of current or future regulation. New requirements, even if not directly applicable to the Segregated Portfolio, may increase the cost of the Segregated Portfolio's investments and cost of doing business, which could adversely affect investors.

The use of derivative strategies may also have a tax impact on the Segregated Portfolio. The timing and character of income, gains or losses from these strategies could impair the ability of the Investment Manager to utilise derivatives when it wishes to do so.

#### **Interbank Offered Rates Risk:**

Investors should be aware that Interbank Offered Rates are subject to ongoing regulatory reforms. Following any such reforms, the Interbank Offered Rates may perform differently than in the past or disappear entirely, or there could be other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Product.

#### **Floating Rate Exposure risk**

The Segregated Portfolio may engage in financial derivatives transactions. The financial derivative transactions are designed to take the yield earned from the portfolio and switch it to a floating rate yield. To achieve the floating rate return, the Investment Manager will invest in interest rate derivatives (including but not limited to interest rate swaps, cross-currency swaps and futures).

The use of derivative instruments can result in substantial losses being recognised even on 'hedged' positions, and illiquidity and default on one side of a position can effectively result in the position not being the 'hedge' that was intended, resulting in potential losses for the Segregated Portfolio. Please also refer to "Derivative Instruments risk", "Interest Rate Securities risk" and "Swap Agreements risk" in the other "Risk Factors" section.

#### **Fund Management and Operation risk**

An investment in the Segregated Portfolio should be regarded as a passive investment. Shareholders have no right to participate in the day-to-day operations of the Segregated Portfolio.

The Segregated Portfolio was recently formed and has limited operating history. The past investment performance of portfolios managed by the Investment Manager may not be construed as an indication of the future results of an investment in the Segregated Portfolio. The success of the Segregated Portfolio's

investment strategy will depend on the management, skill and acumen of the Investment Manager. Investors will have no opportunity to select or evaluate in advance any of the Segregated Portfolio's investments or strategies. The Segregated Portfolio may employ only one investment strategy, which could result in lack of diversification and higher risk.

Neither the Segregated Portfolio's investment management agreement with the Investment Manager nor the Fund's Memorandum and Articles limit the Fund's investment strategy. Subject to or as otherwise provided for in the Offering Memorandum or this Supplement, the Investment Manager has wide latitude to invest or trade the Fund's assets, to pursue any particular strategy or tactic or to change the Fund's emphasis and/or strategy, all without obtaining the approval of the Investors. Investors will have no right to take part in the conduct, management, operation or control of the Fund or the Fund's business. The Company is regulated as a mutual fund under the Mutual Funds Law (2019 Revision) of the Cayman Islands ("Mutual Funds Law"). The Cayman Islands Monetary Authority (the "Authority") has supervisory and enforcement powers to ensure compliance with the Mutual Funds Law. The Segregated Portfolio also intends to register as a restricted foreign scheme in Singapore, the Segregated Portfolio's activities will generally not be subject to the same degree of regulatory oversight to which other investment vehicles are subject. Accordingly, Shareholders may not have the benefit of all the protections afforded to them by the securities laws of their home jurisdiction or other relevant jurisdictions. No regulatory authority has reviewed, passed on or endorsed the merits of this offering or the adequacy or accuracy of the Offering Memorandum and/or this Supplement. Investors have no right to obtain information about the Segregated Portfolio's current investments or strategies. If the Investment Manager, in its sole discretion, grants an Investor access to such information, such access may be subject to strict confidentiality provisions.

Investments will be valued at each Valuation Day by the Administrator for purposes of calculating, among other things, the Net Asset Value of the Segregated Portfolio and, thereby, the investment management fee and other service providers' fees. The value assigned to an investment at a certain time in accordance with the Segregated Portfolio's valuation procedures may differ from the value that is ultimately able to be realised. In such a case, the investment management fee and service provider fees paid or otherwise effected will not be subject to reversal.

If the Board of Directors, in consultation with the Investment Manager, decide that the investment objective or strategy of the Segregated Portfolio is no longer viable, they may resolve that the Segregated Portfolio be managed with the objective of realising assets in an orderly manner and distributing the proceeds to Shareholders in such manner as they determine to be in the best interests of the Segregated Portfolio, in accordance with the terms of the Articles and the Offering Memorandum, including, without limitation, compulsorily redeeming Participating Shares, paying any dividend proceeds in specie and/or declaring a suspension while assets are realised. This process is integral to the business of the Segregated Portfolio.

### **Investment Policy risk**

The Segregated Portfolio's investment policy seeks to invest its assets for a specific time horizon, after which time the Segregated Portfolio intends to discontinue its activities as of the Maturity Date, unless there is a proposal to merge the Segregated Portfolio with another fund, extend its term, or otherwise change its investment objective and policy. There is a risk that the Segregated Portfolio may have difficulty finding sufficient investments that correspond in their time horizon or maturity to the stated maturity of the Segregated Portfolio. Similarly, there is a risk that market events during the Segregated Portfolio's Principal Investment Period, and corresponding or changing investor behaviour, may lead to material redemptions prior to the Maturity Date, preventing the Segregated Portfolio from meeting its investment objective. There is also a risk that market events around the time of the Maturity Date may inhibit or prevent an orderly liquidation from occurring, potentially impacting the value of the Segregated Portfolio's investments.

## **Legal and regulatory risk**

The Segregated Portfolio must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions.

The interpretation and application of legislative acts can be often contradictory, and this may impact the enforceability of the various agreements and guarantees entered into by the Segregated Portfolio. Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public. The interpretation and application of laws and regulations can be often contradictory and uncertain particularly in respect of matters relating to taxation.

Courts may not adhere to the requirements of the law and the relevant contract and it cannot be guaranteed that any recourse or judgment obtained in a foreign court will be enforced in certain jurisdictions where the assets relating to securities held by the Segregated Portfolio are located.

## **Swap Agreements risk**

The Segregated Portfolio may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Segregated Portfolio than if the Segregated Portfolio had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Segregated Portfolio's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

Whether the Segregated Portfolio's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Manager to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two-party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Segregated Portfolio bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The main factor that determines the performance of a swap contract is the movement in the price of the underlying investment, specific interest rates, currencies and other factors used to calculate the payment due by and to the counterparty. If a swap contract requires payment by the Segregated Portfolio, the Segregated Portfolio must at all times be able to honour said payment. Moreover, if the counterparty loses its creditworthiness, the value of the swap contract entered into with this counterparty can be expected to fall, entailing potential losses for the Segregated Portfolio.

## Investor General Information

### Offer Period

The Offer Period of the Participating Shares is from the date on which the Participating Shares are first offered for subscription, being from 3 November 2019 to 28 November 2019 (both days inclusive). The Offer Period may be extended or reduced by the Board of Directors in their absolute discretion. Notwithstanding any other provisions in the Offering Memorandum and/or this Supplement, the Board of Directors or the Investment Manager may, in its absolute discretion, accept or reject any subscription within or during the Offer Period or thereafter.

***Unless otherwise decided by the Board of Directors, Participating Shares are only available for subscription during the Offer Period and no Participating Shares will be sold after the Offer Period. The Segregated Portfolio may be terminated if at the close of the Offer Period the total subscriptions for Participating Shares of the Segregated Portfolio amount to less than USD 100,000,000 or such other amount as the Board of Directors may decide. Upon such termination of the Segregated Portfolio, all subscription monies (in respect of which no interest is payable) will be returned to investors within one (1) month or as soon as possible thereafter.***

### Issue of Participating Shares

Participating Shares may be issued in different classes and are made available through the Principal Distributor. The Principal Distributor will, from time to time, enter into contractual agreements with several other sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of those Participating Shares.

During the Offer Period, at the absolute discretion of the Board of Directors, the Participating Shares of the Segregated Portfolio are generally available for subscription at a fixed issue price of:

- USD 10.00 per Participating Share (for Share Classes D(Qdis) USD and A(Qdis) USD).

plus, any applicable entry charge. The decision to launch the above share classes will be at the absolute discretion of the Board of Directors.

Purchase monies are required to be received by Investor Services in cleared funds before the cut-off times specified in Appendix A on the Closing Date. Where an application for Participating Shares is accepted, the Participating Shares will be treated as having been issued with effect from the Inception Date notwithstanding that the subscriber for those Participating Shares may not be entered in the Fund's register of Shareholders until after the Inception Date. The purchase monies paid by a subscriber for Participating Shares will accordingly be subject to investment risk in the Segregated Portfolio from the Inception Date. For the avoidance of doubt, purchase instructions received after the cut-off time on the Closing Date will be accepted at the discretion of the Board of Directors, the Investment Manager or Investor Services.

If circumstances so require, the Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Participating Shares pursuant to this Supplement.

The Fund acting on behalf of and for the account of the Segregated Portfolio may restrict or prevent the ownership of Participating Shares by any US Person and/or any person, firm or corporate body if in the opinion of the Fund such holding may be detrimental to the Fund or its Shareholders, may result in a breach of any applicable law or regulations or may expose the Fund or its Shareholders to liabilities (to include, inter alia, regulatory or tax liabilities and any other tax liabilities that might derive, inter alia, from any breach of FATCA requirements ) or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies (including US Persons and/or persons in breach of FATCA requirements) are herein referred to as "Prohibited Persons".

For such purposes, the Fund acting on behalf of and for the account of the Segregated Portfolio may:

1. decline to issue any Participating Share and decline to register any transfer of a Participating Share, where it appears to it that such registration or transfer would or might result in beneficial ownership of such Participating Share by a Prohibited Person;
2. at any time require any person whose name is entered in, or any person seeking to register the transfer of Participating Shares on, the register of shareholders to furnish it with any representations and warranties or any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not, to what extent and under which circumstances, beneficial ownership of such Shareholder's Participating Shares rests or will rest in a Prohibited Person, or whether such registration will result in beneficial ownership of such Participating Shares by a Prohibited Person;
3. where it appears to the Fund acting on behalf of and for the account of the Segregated Portfolio that any Prohibited Person, either alone or in conjunction with any other person, is a beneficial owner of Participating Shares or is in breach of its representations and warranties or fails to make such representations and warranties in a timely manner as the Fund acting on behalf of and for the account of the Segregated Portfolio may require, may compulsorily redeem from any such Shareholder all or part of the Participating Shares held by such Shareholder in the manner more fully described in the Articles; and
4. decline to accept the vote of any Prohibited Person at any meeting of shareholders of the Fund.

#### Form of Participating Shares

All Participating Shares are issued in registered form. Fractional registered participating shares will be rounded to three (3) decimal places. Any deal order with a stated Share amount with more than three (3) decimal places will be rounded to three (3) decimal places, using conventional rounding to the nearest thousandths place.

#### Dealing Cut-Off Times

Dealing Cut-Off Times are detailed in Appendix A. The Fund acting on behalf of and for the account of the Segregated Portfolio and/or Investment Manager may permit, if it deems it appropriate, different Dealing Cut-Off Times to be agreed with local distributors or for distribution in jurisdictions where the different time zone so justifies. In such circumstances, the applicable Dealing Cut-Off Time applied must always precede the time when the applicable Net Asset Value is calculated. Such different Dealing Cut-Off Times shall be disclosed in the local supplement to and/or local version of this Supplement, the agreements in place with the local distributors, or other marketing material used in the jurisdictions concerned.

#### SHARE CLASSES

##### **Share Classes Available**

The following Share Classes of the Segregated Portfolio are available for subscription during the Offer Period at the discretion of the Board of Directors:

Share Class	Class Currency	Currency Hedging	Distribution Frequency *	Entry Charge	Exit Charge**	Contingent Deferred Sales Charge (CDSC)	Swing Pricing (applicable to sale of Participating Shares)
Class A(Qdis) USD	USD	Not Applicable	Quarterly	Up to 3%	Not Applicable	Not Applicable	No Limit ***
Class D(Qdis) USD	USD	Not Applicable	Quarterly	Up to 0.5%	Not Applicable	Not Applicable	No Limit ***

\* Dividend distributions are not guaranteed.

\*\* Details of the exit charges are provided in Appendix B.

\*\*\* The extent of the price adjustment will be reset by the Segregated Portfolio on a periodic basis (which may be as frequent as every Valuation Day) or as and when needed to reflect an approximation of current dealing and other costs. There is no limit on the extent of the price adjustment, which may be significant or substantial relative to the original (i.e., pre-adjustment) Net Asset Value per Participating Share.

In respect of Share Classes A and D, the Investment Manager does not intend to hedge the currency risks to which this Share Class is exposed.

The Fund acting on behalf of and for the account of the Segregated Portfolio may issue additional Share Classes which may differ from the Participating Shares of the Share Classes above in terms of, among other things, the entry charge, investment management fee, redemption rights, minimum and additional subscription amounts, informational rights, voting rights and other rights. New Share Classes may be established by the Board of Directors without providing prior notice to, or receiving consent from, existing Investors.

The purchase proceeds of the various Share Classes of the Fund are invested in one common underlying portfolio of investments, but the Net Asset Value of each Share Class will be shown differently as a result of differences in Class Currency, issue price and/or fee structure.

**The Fund acting on behalf of and for the account of the Segregated Portfolio and Investor Services will not issue or transfer Participating Shares to any Investor who is deemed not to meet the above eligibility requirements. If it is identified at any time that a holder of one or several of the above Share Classes does not qualify, or no longer qualifies, the Fund acting on behalf of and for the account of the Segregated Portfolio or Investor Services may, at any time, decide to compulsorily**

**redeem said Participating Shares in accordance with the conditions and procedures set forth in the Articles.**

**A complete list of available Participating Shares Classes may be obtained from a duly authorised distributor.**

#### Entry Charge and Exit Charge

The price at which Class A and D Participating Shares will be offered during the Offer Period is the issue price set out above, plus an entry charge of up to 3% and 0.5% respectively, of the total amount invested. Out of this charge, the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton Investments.

The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Participating Shares in the Fund.

If in any country in which the Participating Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may authorise sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Participating Shares within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

No exit charge is applicable in respect of the sale of Class A and D Participating Shares. Investors should, however, take note of the Segregated Portfolio's application of swing pricing, which may decrease the Net Asset Value per Participating Share when there are sales of Participating Shares by Investors. The extent of the price adjustment will be reset by the Segregated Portfolio on a periodic basis (which may be as frequent as every Valuation Day) or as and when needed to reflect an approximation of current dealing and other costs. There is no limit on the extent of the price adjustment, which may be significant or substantial relative to the original (i.e., pre-adjustment) Net Asset Value per Participating Share.

#### **How to Purchase Participating Shares**

Instructions on how to purchase Participating Shares in the Segregated Portfolio are set out in the "Instructions to Purchase" section of the Offering Memorandum.

#### **How to Sell Participating Shares**

##### Instructions to Sell

Participating Shares of any Share Class in the Fund can be sold on any Dealing Day. Instructions to sell Participating Shares should be submitted to Investor Services in writing or, if expressly permitted, facsimile or electronic means. In the event of joint Investor Portfolios all instructions must be signed by all Investors except where sole signatory authority has been granted or where a power of attorney has been communicated to Investor Services. If an instruction has not been submitted in writing, Investor Services may request a written and duly signed confirmation of such instruction, in which case it may delay the processing of the instruction until receipt of the written and duly signed confirmation.

Where a certificate has been issued in the name(s) of the Shareholder(s), the Board of Directors may require that such Share certificate, duly endorsed, be returned to Investor Services prior to the transaction being effectuated at any applicable Net Asset Value and therefore prior to payment being made.

The instruction must contain details of the personal Investor Portfolio Number, the Fund name, the Share Class(es) including ISIN code (available from the relevant Broker/Dealer), the number/value of Participating Shares to be sold, the settlement currency and the bank details. If there is any discrepancy between the name of the Fund, the Share Class, the Share Class ISIN code or the currency of the Share Class quoted in the instruction, the instruction will be executed on the basis of the ISIN code quoted.

Any instruction to sell Participating Shares may not be executed until any previous transaction involving the Participating Shares to be sold has been completed and settled.

If the instruction would result in a Holding balance being less than the required Minimum Investment for any one Share Class, the Fund and/or the Investment Manager may redeem such Holding balance and pay the proceeds to the Investor.

***The Fund reserves the right not to be bound to accept the sale on any Valuation Day of more than 20% of the Net Asset Value of the Participating Shares of the Fund. In these circumstances the sale of the Participating Shares may be deferred for a period not exceeding ten (10) Business Days. These instructions to sell will be executed in priority to later instructions.***

Neither the Fund nor Investor Services shall be responsible or liable to any Investor for any loss resulting from the non-receipt of any instruction to sell, by whichever method it is sent.

An Investor may not withdraw an instruction to sell Participating Shares except in the event of a suspension of the valuation of the assets of the Fund (see section of the Offering Memorandum entitled "Issue and Redemption of Participating Shares") and, in such event, a withdrawal of the instruction to sell will be effective only if written notification is received by Investor Services before termination of the period of suspension. If the instruction is not so withdrawn, the sale of the Participating Shares will be made on the next Valuation Day following the end of the suspension.

### Sale Price

A complete instruction to sell received and accepted by Investor Services or by a duly authorised distributor on any Dealing Day before the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on the basis of the Net Asset Value per Participating Share of the relevant Share Class determined at the Valuation Time on this Dealing Day.

No exit charge is applicable in respect of the sale of Participating Shares. Investors should, however, take note of the Fund's application of swing pricing, which may decrease the Net Asset Value per Participating Share when there are sales of Participating Shares by Investors. The extent of the price adjustment will be reset by the Fund on a periodic basis (which may be as frequent as every Valuation Day) or as and when needed to reflect an approximation of current dealing and other costs. There is no limit on the extent of the price adjustment, which may be significant or substantial relative to the original (*i.e.*, pre-adjustment) Net Asset Value per Participating Share.

Unless otherwise stated in local version of the Offering Memorandum and this Supplement, local specific information document to be provided to Investors, application form or marketing document, a complete instruction to sell received and accepted by Investor Services or by a duly authorised distributor on a Dealing Day after the applicable Dealing Cut-Off Time (as described in Appendix A) will be dealt with on

the basis of the Net Asset Value per Participating Share of the relevant Share Class determined at the Valuation Time on the next Valuation Day.

The Net Asset Value per Participating Share will be calculated on the basis detailed in the section "Valuation and Prices" in the Offering Memorandum.

#### Payment of Sale Proceeds

Payment for Participating Shares sold will normally be made within five (5) Business Days after the instruction to sell has been received in good order and accepted by Investor Services and will normally be made in the Share Class currency by electronic bank transfer of funds unless otherwise instructed. The Fund and/or Investor Services, after careful due diligence, are not responsible for any delays or charges incurred at any receiving bank or settlement system, nor are they responsible for delays in settlement which may occur due to the time required for local processing of payments within some countries or by certain banks, local correspondent banks, payment agents or other agents. Payment may also be made in any freely exchangeable currency if requested within the instruction, at the cost and risk of the Investor.

If, in exceptional circumstances as described in the section of the Offering Memorandum entitled "Issue and Redemption of Participating Shares", the liquidity of the Fund does not permit payment of sale proceeds within five (5) Business Days from the relevant Valuation Day, the sale proceeds will be paid as soon as reasonably practicable but without interest.

The Board of Directors is also authorised to extend the period for payment of sale proceeds to such period, not exceeding thirty (30) Business Days (shorter periods may however apply in some jurisdictions), as may be required by settlement and other constraints prevailing in the financial markets of countries in which a substantial part of the assets attributable to any Fund shall be invested.

All payments are made at the Investor's risk with no responsibility on the part of the distributors, the Investment Manager, Investor Services and/or the Fund.

#### Sale in Specie

With the prior consent of the Investor(s) concerned, and having due regard to the principle of equal treatment of Shareholders, the Board of Directors may satisfy the payment of sale proceeds in whole or in part in specie by allocating to the selling Investor(s) portfolio securities of the Fund equal in value to the Net Asset Value of the Participating Shares being sold.

#### Switching/Exchange of Participating Shares

Without prejudice to specific Share Class restrictions provided for in this section, Participating Shares of any Share Class cannot be switched/exchanged with Participating Shares in any other Share Class of the Fund or any other fund managed by Franklin Templeton Investments during the relevant Principal Investment Period.

#### Redemptions

The redemption policy relating the Segregated Portfolio is as set out in the Offering Memorandum.

## **Contingent Deferred Sales Charge**

Purchases of Share Class D Participating Shares are subject to a Contingent Deferred Sales Charge (“CDSC”) of up to 1.5% if an Investor sells Participating Shares within five (5) years of purchase. The way this charge is calculated is more fully described below.

The CDSC applicable for qualifying Share Class D Participating Shares is based on the Net Asset Value of the Participating Shares when purchased. The calculation is made based on the relevant currency of the Participating Shares being sold. The amount of the CDSC is calculated by multiplying the percentages indicated in the chart displayed in Appendix B by the Net Asset Value of the Participating Shares when purchased.

Amounts assessed as a CDSC are paid to the Principal Distributor. The CDSC may be waived in whole or in part by the Principal Distributor at its discretion either for individual Investors or for particular groups of Investors. The Segregated Portfolio has committed to pay to the Principal Distributor the CDSC at the rates set forth in Appendix B of the Supplement net of any taxes. In case any taxes would be payable on said amounts, the amount of CDSC would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor. The Board of Directors has, at the date of the Offering Memorandum and/or Supplement, no reason to believe that any taxes are due or levied on the CDSC.

### Valuations

The valuation policy relating the Segregated Portfolio is as set out in the Offering Memorandum.

### Nominee

Local offering documentation may provide the facility for the Investors to avail of Nominee type of intermediaries, brokers/dealers and/or local paying agents. The Nominee name will appear on the register of Shareholders of the Fund and the Nominee may effect purchases and sales of Participating Shares on behalf of the Investors.

The Nominee maintains its own records and provides the Investors with individualised information as to their Holdings. Except as required by law, no person shall be recognised by the Fund as holding any share upon any trust, and (except only as by law otherwise provided) the Fund shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Participating Share, or any interest in any fractional part of a Participating Share, or any other right in respect of any Participating Share, except an absolute right to the entirety thereof in the registered Shareholder.

### Third Party Payments

Investors are informed that it is the Fund’s policy not to make payment to or accept payment from a party other than the registered Shareholder.

Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account, located in a country other than the Investor’s country of residence, the Fund, the Investment Manager and/or Investor Services reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentation is received that provides additional investor protection to the satisfaction of the Fund, the Investment Manager and/or Investor Services.

Base Currency

The base currency of the Segregated Portfolio is US dollars.

Dividends

The dividend policy relating the Segregated Portfolio is as set out in the Offering Memorandum.

## **Investment Management Fees**

The Investment Manager receives from the Fund acting on behalf of and for the account of the Segregated Portfolio a monthly investment management fee equivalent to a certain percentage per annum of the Segregated Portfolio's adjusted daily net assets during the year. Such remuneration will be calculated and accrued daily and will be paid monthly in arrears.

Details of the investment management fees are provided in Appendix B.

In certain Fund-related documents and/or electronic media, the relevant aforementioned investment management fee plus servicing charges where applicable to the Segregated Portfolio may be combined and expressed as an "annual management charge" for ease of administration/comparison.

The Investment Manager, in its discretion, may reduce, waive, rebate, increase, modify, delay or otherwise calculate differently all or a portion of the investment management fee as to an Investor, or may agree with an Investor to other changes in the investment management fee respecting such Investor.

In addition, the Fund acting on behalf of and for the account of the Segregated Portfolio may reduce, waive, rebate, delay or otherwise modify the investment management fee with respect to investments made by the Investment Manager or its affiliates, directors or employees of the Investment Manager or its affiliates, and/or other funds managed by the Investment Manager or its affiliates.

The Investment Manager may, from time to time, pay a part of the investment management fee to various sub-distributors, intermediaries, brokers, professional investors and/or assimilated entities, which may or may not be part of Franklin Templeton Investments. Such payments are intended to compensate such sub-distributors, brokers or other intermediaries for providing distribution or other services to the Investors, including but not limited to the enhancement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services. Any request for additional information regarding any such payments should be addressed by the Investors to their relevant intermediaries.

The Investment Manager and its affiliates may provide services to the Segregated Portfolio, including the execution of portfolio transactions on behalf of the Segregated Portfolio (either as agent or, with the approval of the Board of Directors, as principal). Such persons may receive and retain their normal commissions, charges, fees or other benefits provided they are at arm's length commercial rates for transactions or services of a similar size and nature.

Consistent with obtaining best execution, brokerage commissions on portfolio transactions for the Segregated Portfolio may be directed by the Investment Manager to Brokers/Dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such Brokers/Dealers. The receipt of investment research and information and related services permits the Investment Manager to supplement its own research and analysis and makes available to it the views and information of individuals and research staffs of other firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Manager.

The Investment Manager may enter, with Brokers/Dealers that are entities and not individuals, into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Manager, including the Segregated Portfolio, and where the Investment Manager is satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interest of the Segregated Portfolio. Any such arrangement must be made by the Investment Manager on terms commensurate with best market practice. The use of soft commissions shall be disclosed in the periodic reports.

### **Entry Charge**

The price at which Class A and D Participating Shares will be offered during the Offer Period is the issue price set out above, plus an entry charge of up to 3% and 0.5% respectively of the total amount invested. Out of this charge, the Principal Distributor may make payments to sub-distributors, intermediaries, Brokers/Dealers and/or professional investors, who may include affiliates of Franklin Templeton Investments.

The entry charge may be waived in whole or in part by the Principal Distributor either for individual Investors or for particular groups of Investors. The balance of the amount invested after the deduction of any applicable entry charge will then be applied to the purchase of Shares in the Fund.

If in any country in which the Participating Shares are offered, local law or practice requires or permits a lower entry charge or a different maximum than the charge stated above for any individual purchase order, the Principal Distributor may authorise sub-distributors, intermediaries, Brokers/Dealers and/or professional investors to sell Shares within such country at a total price less than the applicable price set forth above, but in accordance with the amounts permitted by the law or practice of such country.

The Principal Distributor may be entitled to receive any applicable entry charge, of up to 3% of the total amount invested, as further described in the section "Share Classes". The entry charge shall in no case exceed the maximum permitted by the laws, regulations and practice of any country where the Participating Shares are sold.

The Principal Distributor may enter into contractual arrangements with various sub-distributors, intermediaries, Brokers/Dealers and/or professional investors for the distribution of Participating Shares outside Canada and the United States of America. Payments of fees or commissions to various sub-distributors, Brokers/Dealers or other intermediaries may be made out of the servicing charges or other related similar fees normally paid to the Principal Distributor, when such payments are expected to enhance the quality of the distribution or other services provided to the Investors, including but not limited to the improvement of the communication of ongoing information to Investors, the transaction processing or other shareholder and/or administrative services.

### **Exit Charge**

No exit charge is applicable in respect of the sale of Participating Shares. Investors should, however, take note of the Segregated Portfolio's application of swing pricing, which may decrease the Net Asset Value per Participating Share when there are sales of Participating Shares by Investors. The extent of the price adjustment will be reset by the Segregated Portfolio on a periodic basis (which may be as frequent as every Valuation Day) or as and when needed to reflect an approximation of current dealing and other costs. There is no limit on the extent of the price adjustment, which may be significant or substantial relative to the original (i.e., pre-adjustment) Net Asset Value per Participating Share.

## **Administration Fee**

In exchange for the services it provides to the Segregated Portfolio, the Administrator will receive a monthly administration fee from the Fund acting on behalf of and for the account of the Segregated Portfolio, which is equivalent to a certain percentage per annum of the Segregated Portfolio's adjusted daily net assets during the year. Details of the administration fee are provided in Appendix B. The Administrator, in its discretion, may waive all or a portion of its administrative fee, or may agree to other changes in its administrative fee.

## **Shareholder Service Fee**

In exchange for the services it provides to the Segregated Portfolio, Investor Services will receive a monthly shareholder service fee from the Fund acting on behalf of and for the account of the Segregated Portfolio, which is equivalent to a certain percentage per annum of the Segregated Portfolio's adjusted daily net assets during the year. Details of the shareholder service fee are provided in Appendix B. Investor Services, in its discretion, may waive all or a portion of its shareholder service fee, or may agree to other changes in its shareholder service fee.

## **Custodian's Fees and Charges**

As remuneration for the services rendered to the Segregated Portfolio as Custodian, The Bank of New York Mellon will receive an annual fee depending on the nature of the investments of the Segregated Portfolio in a range from 0.01% to 0.14% of the Net Asset Value of the Segregated Portfolio, as reflected in more detail in the Segregated Portfolio's financial reports. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Custodian by the Fund acting on behalf of and for the account of the Segregated Portfolio.

Such fees do not include normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Segregated Portfolio as well as any reasonable out-of-pocket expenses incurred in connection with the Segregated Portfolio, and chargeable to the Segregated Portfolio and fees for other services as agreed from time to time. The amounts effectively paid will be shown in the Segregated Portfolio's financial statements.

## **Ongoing Servicing Fee**

A ongoing servicing fee may be applicable depending on the Share Class invested in. The fee is applied to the average Net Asset Value and is paid to the Principal Distributor and/or other party in order to compensate the Principal Distributor and/or other party for any financing costs and expenses incurred by it in connection with sales of Shares. This fee is accrued daily and is deducted and paid monthly to the Principal Distributor and/or other party.

The Segregated Portfolio has committed to pay the Principal Distributor or the relevant third party the ongoing servicing fee at the rates as provided in Appendix B, net of any taxes. In case any taxes would be payable on said amounts, the amount of ongoing servicing fee would be increased in a manner to ensure that the agreed amounts are paid net to the Principal Distributor or relevant third party. The Board of Directors has, at the date of this Supplement, no reason to believe that any taxes are due or levied on the ongoing servicing fee.

Full details of ongoing servicing fees are provided in Appendix B.

## Other Costs and Expenses

An annual registration fee will be payable by the Fund in the Cayman Islands which will be calculated by reference to the nominal amount of the Company's authorised share capital. On the basis of the current rate, that fee will be approximately USD 853.66 per annum.

The Fund bears its formation and operational costs including, but not limited to, the costs of incorporation, the costs of preparing the Memorandum and Articles and any amendments thereto, the costs of buying and selling underlying securities (including brokerage commissions and other investment transaction costs), governmental and regulatory charges and taxes, legal, bookkeeping, tax and auditing fees and expenses, insurance premiums, costs of litigation, interest charges, reporting and publication expenses, postage, telephone and facsimile expenses and such other operational costs which may include research expenses; and if in future it is resolved, the costs of obtaining and maintaining a listing for the Participating Shares on any stock exchange and the registrar. All expenses are estimated and accrued daily in the calculation of the Net Asset Value of the Segregated Portfolio.

All charges and expenses pursuant to the above are exclusive of value added taxes or other taxes chargeable thereon, which should be paid by the Fund as required.

To the extent that expenses to be borne by the Segregated Portfolio are paid or incurred by the Investment Manager, the Fund acting on behalf of and for the account of the Segregated Portfolio will reimburse the Investment Manager for such expenses.

The Fund will bear the cost of all fees payable in the Cayman Islands in connection with the preparation of the Offering Memorandum, the fees and reasonable travel, hotel and incidental expenses of the Directors, the fees and expenses of the auditors and legal advisers to the Company, the cost of printing and distributing the annual reports and statements and all other operating and administrative expenses. Each Segregated Portfolio will bear a pro rata share of those expenses.

## Expense Cap

Notwithstanding the above, a Segregated Portfolio's ordinary operating expenses (excluding any non-routine expenses) will be capped at 0.70% for Class A Participating Shares and 0.70% for Class D Participating Shares per annum as a percentage of the average daily Net Asset Value of the Segregated Portfolio (the "**Expense Cap**"). If the Segregated Portfolio's ordinary operating expenses are in excess of the Expense Cap, such excess expenses will be borne by the Investment Manager or its affiliates. The Investment Manager and/or its affiliates may, at their sole discretion, at any time seek reimbursement from the Segregated Portfolio for amounts they have borne in excess of the Expense Cap, so long as the Segregated Portfolio's ordinary operating expenses do not exceed the Expense Cap. ***The Board of Directors, in conjunction with the Investment Manager, may raise, lower or eliminate the Expense Cap in their sole discretion on thirty (30) days' prior written notice to Investors.***

APPENDIX A

STANDARD DEALING CUT-OFF TIMES

Any agreement or marketing material, requests for sale of Participating Shares (the "**Transactions**") received by Investor Services on a Dealing Day before the appropriate Dealing Cut-Off Time will be dealt on that day on the basis of the Net Asset Value per Participating Share of the relevant Share Class calculated on that day.

<b>Jurisdiction(s)</b>	<b>Facsimile Dealing Cut-Off Time for transactions in all Share Classes</b>
<ul style="list-style-type: none"><li>• Hong Kong</li><li>• Singapore</li><li>• Dubai International Financial Centre</li><li>• Luxembourg</li></ul>	16:00 HKT  16:00 SGT  18:00 CET

**Electronic Dealing**

(Swift and Direct Electronic link with Franklin Templeton Investments)

<b>Main Countries covered</b>	<b>Dealing Cut-Off Time</b>
Any Country where the Participating Shares of the Segregated Portfolio can be distributed	For transactions in Share Class A(Qdis) USD  22:00 CET
	For transactions in Share Class D (Qdis) USD  22:00 CET

Investors domiciled in countries not listed above but where transactions in Participating Shares of the Segregated Portfolio are allowed under all applicable laws and regulations should contact Investor Services for information regarding the applicable Dealing Cut-Off Time.

**Definitions:**

CET: Central Europe time

HKT: Hong Kong Standard Time

SGT: Singapore Standard Time

GMT: Greenwich Mean Time

## APPENDIX B

### SEGREGATED PORTFOLIO CHARGES, FEES AND EXPENSES

In this Supplement, the fees, charges and expenses of the Segregated Portfolio are as follows:

#### **1. ENTRY CHARGE, EXIT CHARGE AND CDSC**

##### **Entry Charge**

Share Class	Class A(Qdis) USD	Class D(Qdis) USD
Entry fee	Up to 3%	Up to 0.5%

##### **Exit Charge**

Share Class	Class A(Qdis) USD Class D(Qdis) USD
Exit Charge	Not Applicable

No exit charge is applicable in respect of the sale of Participating Shares. Investors should, however, take note of the Segregated Portfolio's application of swing pricing, which may decrease the Net Asset Value per Participating Share when there are sales of Participating Shares by Investors.

##### **CDSC**

Share Class	Class D(Qdis) USD	
CDSC	Period since purchase	Percentage
	Less than one year	1.50%
	Equal or more than one year but less than two years	1.20%
	Equal or more than two years but less than three	0.90%

	years	
	Equal or more than three years but less than four years	0.60%
	Equal or more than four years but less than 5 years	0.30%

## 2. INVESTMENT MANAGEMENT FEES (PER ANNUM)

The following investment management fees apply in respect of the Participating Shares as indicated below:

<b>Class A(Qdis) USD</b>	<b>Class D(Qdis) USD</b>
<b>0.60%</b>	<b>0.30%</b>

## 3. ADMINISTRATION FEE (PER ANNUM)

The following administration fees apply in respect of the Participating Shares:

<b>Class A(Qdis) USD</b>
<b>Class D(Qdis) USD</b>
<b>0.10%</b>

## 4. SHAREHOLDER SERVICE FEE (PER ANNUM)

The following shareholder service fees apply in respect of the Participating Shares:

<b>Class A(Qdis) USD</b>
<b>Class D(Qdis) USD</b>
<b>0.03%</b>

## 5. ONGOING SERVICING FEE

The following ongoing servicing fees apply in respect of the Participating Shares:

<b>Class A(Qdis) USD</b>	<b>Class D(Qdis) USD</b>
Not Applicable	<b>0.30%</b>

## 6. EXPENSE CAP

The following administration fees apply in respect of the Participating Shares:

<b>Class A(Qdis) USD</b>	<b>Class D(Qdis) USD</b>
<b>0.70%</b>	<b>0.70%</b>

## Appendix C

### INFORMATION FOR INVESTORS IN SWITZERLAND

#### **1. Qualified investors**

The Company may only be distributed in Switzerland to qualified investors within the meaning of art. 10 para. 3, 3bis and 3ter CISA.

#### **2. Representative in Switzerland**

The Representative is Franklin Templeton Switzerland AG, Stockerstrasse 38, 8002 Zurich, Switzerland.

The Investors are herewith informed that the engagement of the representative may be terminated as of 1 January 2020 when the new Swiss Federal Act on Financial Services (FinSA) and the Swiss Federal Act on Financial Institutions (FinIA) will enter into force. The reason is that these two acts won't require the engagement of a Swiss representative any more for the distribution activities intended to be made for the Company.

#### **3. Paying agent in Switzerland**

The paying agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, Postfach CH-8024 Zurich.

The Investors are herewith informed that the engagement of the paying agent may be terminated as of 1 January 2020 when the new Swiss Federal Act on Financial Services (FinSA) and the Swiss Federal Act on Financial Institutions (FinIA) will enter into force. The reason is that these two acts won't require the engagement of a Swiss paying agent any more for the distribution activities intended to be made by the Managing Limited Partner for the Fund.

#### **4. Location where the relevant documents may be obtained**

The basic documents of the Company as well as the annual report may be obtained free of charge from the Representative.

#### **5. Payment of retrocessions and rebates**

##### **a) Retrocessions**

The Company and its agents do not pay any retrocessions to third parties as remuneration for distribution activity in respect of Participating Shares in or from Switzerland.

##### **b) Rebates**

In respect of distribution in or from Switzerland, the Company and its agents do not pay any rebates to reduce the fees or costs incurred by the investor and charged to the fund.

## **6. Place of performance and jurisdiction**

In respect of the Partnership Interests distributed in and from Switzerland, the place of performance and jurisdiction is at the registered office of the representative.

## **7. State of origin**

The state of the origin of the Fund is the Cayman Islands.