

AUDITED ANNUAL REPORT

# FRANKLIN TEMPLETON SERIES II FUNDS

société d'investissement à capital variable

October 31, 2023



FRANKLIN  
TEMPLETON

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société d'investissement à capital variable

## AUDITED ANNUAL REPORT

For the year ended October 31, 2023

This report shall not constitute an offer or a solicitation of an offer to buy shares of Franklin Templeton Series II Funds (the "Company"). Subscriptions are to be made on the basis of the current prospectus and its addendum as the case may be, where available the relevant Key Information Documents ("KIDs") or Key Investor Information Documents ("KIIDs"), a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report.

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## General Information

As at October 31, 2023

### **société d'investissement à capital variable**

8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg

(Registered with the registre de commerce et des sociétés, Luxembourg, under number B-127.818)

### **BOARD OF DIRECTORS:**

#### **Chairwoman**

*Caroline Carroll*

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

Cannon Place, 78 Cannon Street, London EC4N 6HL  
United Kingdom

#### **Directors**

*A. Craig Blair*

Conducting Officer

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg,  
Grand Duchy of Luxembourg

*William Jackson*

Non-executive Director

2 St Clair Terrace,

Edinburgh EH10 5NW, Scotland

United Kingdom

*Hans-J. Wisser*

Independent Director

Kälberstücksweg 37

61350 Bad Homburg

Germany

### **MANAGEMENT COMPANY:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg

### **REGISTERED OFFICE:**

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

### **PRINCIPAL DISTRIBUTOR:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg

### **DISTRIBUTION CONTROLLER:**

FRANKLIN TEMPLETON INTERNATIONAL SERVICES

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg  
Grand Duchy of Luxembourg

### **INVESTMENT MANAGER:**

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT

LIMITED

Cannon Place

78 Cannon Street

London EC4N 6HL

United Kingdom

### **DEPOSITARY:**

THE BANK OF NEW YORK MELLON SA/NV

(Until June 11, 2023)

J.P. Morgan SE, Luxembourg Branch

(With effect June 12, 2023)

European Bank & Business Centre

6C route de Trèves, L-2633 Senningerberg

Grand Duchy of Luxembourg

### **PRINCIPAL PAYING AGENT:**

J.P. Morgan SE, Luxembourg Branch

European Bank & Business Centre

6C route de Trèves, L-2633 Senningerberg

Grand Duchy of Luxembourg

### **ADMINISTRATIVE AGENT:**

J.P. Morgan SE, Luxembourg Branch

European Bank & Business Centre

6C route de Trèves, L-2633 Senningerberg

Grand Duchy of Luxembourg

### **REGISTRAR AND TRANSFER AGENT:**

VIRTUS PARTNERS FUND SERVICES LUXEMBOURG

S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

**AUDITOR:**

Ernst & Young S.A.

(until October 31, 2022)

PRICEWATERHOUSECOOPERS, Société cooperative

(With effect November 01, 2022)

2, rue Gerhard Mercator, L-2182 Luxembourg

Grand Duchy of Luxembourg

**LEGAL ADVISERS:**

ELVINGER HOSS PRUSSEN, Société anonyme

2, Place Winston Churchill,

L-1340 Luxembourg

Grand Duchy of Luxembourg

## Report of the Board of Directors

The Board of Directors of Franklin Templeton Series II Funds (“FTSIIF” or the “Company”) submits the following report for the financial year ended October 31, 2023.

### Structure and size of the fund

FTSIIF is an open-ended investment company organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and qualifies as a société d’investissement à capital variable (“SICAV”). FTSIIF qualifies as an Undertaking for Collective Investment (“UCI”) under the Directive 2009/65/EC of July 13, 2009 of the European Parliament and of the Council and is registered on the official list of Undertakings for Collective Investment pursuant to Part II of the Luxembourg law of December 17, 2010 relating to Undertakings for Collective Investment, as amended. The Company qualifies as an Alternative Investment Fund within the meaning of article 1(39) of the law of July 12, 2013. The Company has appointed Franklin Templeton International Services S.à r.l. (the “Management Company” or the “AIFM” or “FTIS”) as an authorized Alternative Investment Fund Manager to provide investment management and marketing functions to the Company with the possibility to delegate certain of such functions to third-parties.

FTSIIF was incorporated officially on May 14, 2007 for an undetermined period of time. FTSIIF is organised as an umbrella structure for sub-funds, each of which has its own investment portfolio.

At financial year ended October 31, 2023, FTSIIF comprised the following two sub-funds:

- Franklin Templeton Series II Funds – Franklin Emerging Market Debt Opportunities II Fund
- Franklin Templeton Series II Funds – Franklin Emerging Market Investment Grade Debt Fund (put into liquidation effective April 11, 2023)

Base currency of the sub-funds was Euro for Franklin Emerging Market Debt Opportunities II Fund and USD for Franklin Emerging Market Investment Grade Debt Fund.

At financial year ended October 31, 2023, FTSIIF had net assets of USD 792.7 million, compared to USD 917.6 million under management as at October 31, 2022. The decrease in net assets value during the year end is due to huge redemptions of USD 32.6 million in Franklin Emerging Market Investment Grade Debt Fund as part of fund liquidation process.

### Board of Directors

The Board of Directors is responsible for FTSIIF’s management and administration, including the determination of investment policy, and has appointed Franklin Templeton International Services S.à r.l. as the Management Company to perform the day-to-day management and administration of FTSIIF. At October 31, 2023, the Directors were the following:

- Caroline Carroll
- A. Craig Blair
- William Jackson
- Hans-J. Wisser

### Notable events

Franklin Floating Rate II Fund was put into liquidation effective August 11, 2020 and closed on November 29, 2022, this being due to illiquid positions held in the portfolio which prevented the complete sale of the remaining portfolio assets.

Franklin Emerging Market Investment Grade Debt Fund was put into liquidation effective April 11, 2023, but its complete closure is still pending due to Russian restricted assets held in its portfolio, which could not be sold.

### Corporate Governance

The Company has adopted the principles of the Association of the Luxembourg Fund Industry (“ALFI”) code of conduct.

**THE BOARD OF DIRECTORS**

Luxembourg, November 2023

# Report of the Investment Managers

## Franklin Emerging Market Debt Opportunities II Fund

### Emerging market (EM) hard-currency government bonds<sup>1</sup>: 3.02%

- Despite rapidly rising US Treasury (UST) yields over the past year, the yield-to-worst on US-dollar EM government bonds moved 29 basis points (bps) lower to 9.37%, as the spread narrowed 106 bps to 436.
- Prices for EM bonds rose in the year under review, supported by a late-year rally in 2022 and positive performance witnessed during the first half of 2023. Much of the period saw investor sentiment improve, as global central banks appeared to be nearing the end of their hiking cycles, and economic activity, though slowing, continued to exhibit relative resilience against the tighter financing conditions. However, over the latter part of the period global bonds repriced for a “higher for longer” interest rate environment due to resilient US economic growth and concerns around “sticky” US inflation. Inflationary pressures did generally moderate, though investors acknowledged that developed market (DM) central banks would have to keep monetary policy restrictive longer for inflation to return to target. As bouts of volatility over the period were relatively contained, a more “risk-on” sentiment helped high-yield (HY) hard-currency EM sovereign bonds significantly outperform their investment-grade (IG) counterparts, despite continuing outflows from the asset class.
- Over the period, spread compression was driven by the higher-yielding part of the market, with investors taking advantage of lower valuations and helped by multiple positive developments that included a statement from the Global Sovereign Debt Roundtable announcing a long-awaited agreement between bilateral and multilateral creditors. The segment was also supported by several decisions from the International Monetary Fund (IMF) that demonstrated its ongoing commitment to lend to weaker EMs, as the agency approved disbursements of funds in Argentina, Pakistan and Zambia. The funds helped to meet short-term debt obligations as well as support ongoing reform programmes. Furthermore, EM countries’ efforts to strengthen macroeconomic stability through orthodox policies was also evident, notably in Türkiye and Nigeria.
- The tighter financing conditions have meant slowing economic activity, with the IMF’s October World Economic Outlook further downgrading 2024 global growth to 2.9%. However, EM and developing economies are still expected to grow significantly faster than advanced economies over the period, with 4% growth pencilled in for both 2023 and 2024. Despite policy easing measures in China, weakness in the country’s property sector has been weighing on economic performance. Nevertheless, the end of the year under review saw more encouraging data emerge, adding to optimism that China could reach its 5% gross domestic product (GDP) target for 2023.
- Oil prices declined over the period, though the last few months saw a significant rebound. The Brent crude benchmark fell from USD 94.83 to the low USD 70s and then moved higher to USD 87.41 by the end of October 2023. On the one hand, decisive central bank action weighed on the energy demand outlook, which was also dragged down by concerns over lacklustre economic growth coming out of China. On the other hand, however, supply constraints and conflict in the Middle East supported prices. The Organization of the Petroleum Exporting Countries and its allies (OPEC+) continued to cut output throughout the year, starting in late 2022.

### EM hard-currency corporate bonds<sup>3</sup>: 5.69%

- EM hard-currency corporate bonds outperformed sovereign debt over the review period, with returns also driven by HY issuers. As the spread-to-worst on the index tightened by 112 bps to 316 bps, the yield-to-worst moved 38 bps lower to 8.15%.<sup>4</sup>

### EM local-currency government bonds<sup>5</sup>: 6.13%

- Declines in local bond yields supported local-currency EM sovereign debt outperformance compared with the hard-currency segment. EM local-currency government bond yields declined by 58 bps over the course of the review period to 6.85% at the end of October 2023. Many EM central banks prudently and swiftly tightened monetary policy in response to rising inflationary fears in 2021 and 2022, allowing policymakers to reorient their focus to incorporate growth concerns. Over the period, EMs saw price pressures ease, helped by declining commodity prices, while economic activity showed signs of slowing. This led many EM central banks to reduce their pace of rate hiking, pause, or even begin easing monetary policy in order to support domestic demand.
- EM currencies generally fared poorly against the euro during the period under review.

<sup>1</sup> JP Morgan Emerging Markets Bond Index Global Diversified (EMBIGD) No CCC TRR, hedged into euros

<sup>2</sup> Yield and spread levels quoted are for the JP Morgan EMBIGD

<sup>3</sup> JP Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified No CCC, in euros

<sup>4</sup> Yield and spread levels quoted are for the JP Morgan CEMBI Broad Diversified

<sup>5</sup> JP Morgan Government Bond Index–Emerging Markets (GBI–EM) Global Diversified (unhedged, in euros)

## **Portfolio Performance (net of fees, in US dollars): 6.76%**

The portfolio fared better than EM hard-currency government and corporate bonds, as well as EM local-currency bonds, as per the above indices.

### **Positives (in absolute terms)**

#### **1. Turkish US-dollar bonds**

Türkiye saw mixed performance over the review period, with investors first concerned about the risks of President Erdogan's reelection in May and hoping that his two decades in power would come to an end. Defying expectations, his win was followed by the appointment of a market-friendly economics team and a move towards more orthodox policies, such as tax hikes and sharp monetary policy tightening. Additionally, the sector was supported by a broader "risk-on" sentiment that prevailed for much of the period, which led lower-rated, higher-yielding issues to outperform the broader market. Consequently, the portfolio's allocation to Turkish US-dollar bonds supported returns.

#### **2. Salvadoran US-dollar bonds**

El Salvador's external bond market witnessed a strong performance over the 12-month period. The sovereign's US-dollar debt prices were supported by the government making a ~USD 600 million bond payment in January 2023, which reaffirmed its willingness to continue to service its debt. Moreover, by completing a series of buybacks, the government has reduced the par amount of its next maturity in January 2025, further improving its near-term liquidity. Another significant positive factor was the successful completion of a domestic pension debt exchange, which should result in ~USD 500 million in annual savings for the country. Following this, Fitch raised El Salvador's credit rating to CCC+. The accompanying statement shared that the agency now views the chances for another default event unlikely.

### **Negatives (in absolute terms)**

#### **1. Russian local-currency bonds**

The sweeping financial sanctions implemented by the United States and European Union (EU) against Russia following its invasion of Ukraine resulted in significant Russian rouble (RUB) weakness. To defend its currency, the country's central bank hiked the main lending rate at four consecutive meetings over the period, bringing it to 15% in October 2023. Surging inflationary pressures and a rising budget deficit were exacerbated by the RUB's depreciation. In August, the portfolio sold its holding of a Russian local-currency bond, given the unclear outlook for the country and very limited chance of a resumption of debt service to foreign holders of this debt.

#### **2. Russian rouble (RUB)**

As mentioned above, pressure from Western sanctions and growing military spending for Russia's war in Ukraine led the RUB to fall to record lows over the period, before being somewhat supported by the Russian central bank's actions. The RUB was dragged down further in early 2023, as the EU finalised another sanctions package in February. As part of the decision, new individuals and entities were added to the sanctions list, and export bans worth over €11 billion as well as new reporting requirements on Russian central bank assets were implemented. A continued decline in global energy prices and geopolitical turmoil additionally weighed on the currency. It is important to note that the portfolio's RUB exposure was via a Russian government bond, the trading of which was suspended by Euroclear in late 2022, while a holder reconciliation process took place. This was resolved in June 2023, and, as explained above, the position was subsequently sold in August.

### **Main portfolio changes**

Please see our monthly commentaries for details on the main portfolio changes.



## Outlook

Global growth has been sustained by a US economy surpassing expectations, as strong consumer spending has been underpinned by tight labour markets and income gains. Growth in Europe, in contrast, remains tepid as it adjusts to the impact of higher energy prices and supply constraints resulting from the war in Ukraine. Meanwhile, China's economy is showing further signs of stabilisation, helped by recent policy easing momentum, although concerns persist around the country's structural rebalancing towards a service-orientated economy, given high debt levels and a languishing property sector.

Fears around a looming US/global recession that prevailed earlier in the year have been reduced as the global economy has proven resilient in the second half of 2023. However, growth is likely to moderate moving into year-end and the first half of 2024, as the transmission effects of tighter global monetary policy take hold. While inflation measures have improved this year, they are still above central bank targets and remain vulnerable to food and energy price volatility, with the recent conflict between Israel and Hamas creating further uncertainty. Even though the conflict has remained contained so far, spillover effects could include higher oil prices and lower US Treasury yields in addition to rising risk premia, which typically hurt risk assets, such as equities and high-yield securities. Inflation risks are likely to restrain central banks in developed markets from pivoting too quickly towards easing monetary policy, leading to interest rates most likely staying at higher levels for a sustained period.

Despite the current challenges of higher US interest rates and some divergence in growth in the global economy, EM credit fundamentals have remained firm and the trend of stronger nominal EM growth rates relative to DMs is expected to be maintained. Over the longer term, EM economies should continue to benefit from productivity improvements resulting from structural economic reforms, rising levels of consumption and infrastructure developments. Access to natural resources needed for the clean energy transition and friend-shoring through supply chain diversification will be other factors that should help to enhance the long-term performance of lower- and middle-income countries.

EM IG spread levels should remain within a stable range, although the room for any meaningful spread compression is limited given that investment-grade and BB-rated sovereigns are trading at relatively tight levels compared to their 10-year average spreads. Larger EMs should maintain their resilience to higher borrowing costs, supported by sustainable external balances and durable global growth, while the development of domestic debt markets also provides another source of funding. Further out, a more active electoral cycle in 2024, including Mexico and India amongst others, could introduce some volatility, alongside headline noise generated around the US presidential election and possibly amplified trade-war rhetoric.

EM local-currency bond yield valuations are currently less compelling than a few months ago, as they compete against higher yields in lower-risk assets. As such, individual country selection based on the assessment of risk factors will be a key performance differentiator. Our bias remains for investing in countries in Latin America and the CEE3 (Hungary, Poland and Romania), while we consider lower-yielding Asia less attractive. EM policymakers are expected to remain cautious in their approach to easing, given higher DM rates and upside inflation risks stemming from recent commodity price strength. Exogenous risk factors such as El Niño, the war in Ukraine and heightened tensions in the Middle East could also disrupt the disinflationary cycle. Moving into year-end, our expectation is for more moderate gains as EM inflation plateaus and the margin for interest rate cuts narrows.

Flows across EM debt have been weak this year due to tighter global financial conditions, but supply has remained low and tilted towards EM investment-grade sovereign issuers. Given these trends, the outlook for the market's supply/demand dynamics remains balanced.

**THE INVESTMENT MANAGERS**

November 2023

The information stated in this report represents historical data and is not an indication of future results.



## Audit report

To the Shareholders of  
**Franklin Templeton Series II Funds**

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### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Franklin Templeton Series II Funds (the “Fund”) and of each of its sub-funds as at 31 October 2023, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### *What we have audited*

The Fund’s financial statements comprise:

- the statement of net assets as at 31 October 2023;
- the statement of operations and changes in net assets for the year then ended;
- the schedule of investments as at 31 October 2023; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### **Responsibilities of the Board of Directors of the Fund for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or close any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

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#### **Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund;



- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund or any of its sub-funds (except for Franklin Emerging Market Investment Grade Debt Fund where a decision to liquidate exists) to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 16 February 2024

Laurent Butticè

## Fund Performance

Percentage change to October 31, 2023

	Reference Share Class	Launch Date	6 Months %	1 Year %	3 Years %	5 Years %	Since Launch %
Franklin Emerging Market Debt Opportunities II Fund	I (acc) EUR <sup>^</sup>	11 May 23	–	–	–	–	4.4
Franklin Emerging Market Debt Opportunities II Fund	I (Ydis) EUR-H2 (hedged)	30 Nov 12	1.8	6.8	(6.8)	(2.4)	15.8
Franklin Emerging Market Investment Grade Debt Fund*	I (acc) EUR	24 Feb 12	37.6	62.0	51.4	70.1	131.6
Franklin Emerging Market Investment Grade Debt Fund*	I (acc) EUR-H1 (hedged)	24 Feb 12	33.6	73.7	32.8	45.4	55.6
Franklin Emerging Market Investment Grade Debt Fund*	I (acc) USD	24 Feb 12	32.0	73.6	37.8	59.2	82.3
Franklin Emerging Market Investment Grade Debt Fund*	Y (Mdis) USD	12 Jan 18	32.1	74.3	40.4	64.8	57.7

\*Please refer Note 1 for fund events.

<sup>^</sup>The reference share class was launched on May 11, 2023.

The performance is based on the published net asset values as calculated on the last business day of the year. Those net asset values reflect the market prices of the investments as of the last business day of the year. The performance is based on the change of the published net asset value per share. The year to date performance includes the year from November 01, 2022 until October 31, 2023.

Information on other share classes is available on request. This report shall not constitute an offer or a solicitation of an offer to buy shares. Subscriptions are to be made on the basis of the current prospectus, where available the relevant Key Information Documents (“KIDs”) or Key Investor Information Documents (“KIIDs”), a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report. The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested. Past performance is no guarantee of future performance. Currency fluctuations may affect the value of investments.

Data source: Performance – Franklin Templeton and JPMorgan

## Statement of Net Assets

As at October 31, 2023

	Total (USD)	Franklin Emerging Market Debt Opportunities II Fund (EUR)	Franklin Emerging Market Investment Grade Debt Fund' (USD)
<b>ASSETS</b>			
Investments in securities at market value (note 2(b))	730,089,242	690,068,535	12,500
Cash at bank and at brokers	54,970,429	51,689,445	284,177
Amounts receivable on subscriptions	462,201	436,873	–
Interest and dividends receivable, net	16,464,026	15,561,798	–
Unrealised profit on forward foreign exchange contracts (notes 2(c), 3)	69,138	65,349	–
Other receivables	247,532	233,967	–
<b>TOTAL ASSETS</b>	<b>802,302,568</b>	<b>758,055,967</b>	<b>296,677</b>
<b>LIABILITIES</b>			
Amounts payable on purchases of investments	2,899,937	2,741,021	–
Investment management fees payable (note 4)	525,564	496,763	–
Unrealised loss on forward foreign exchange contracts (notes 2(c), 3)	5,846,710	5,526,310	–
Taxes and expenses payable	359,975	277,597	66,284
<b>TOTAL LIABILITIES</b>	<b>9,632,186</b>	<b>9,041,691</b>	<b>66,284</b>
<b>TOTAL NET ASSETS</b>	<b>792,670,382</b>	<b>749,014,276</b>	<b>230,393</b>
<b>THREE YEAR ASSET SUMMARY</b>			
October 31, 2022	917,592,258	897,675,915	30,177,205
October 31, 2021	1,417,103,888	1,170,287,434	36,629,716
October 31, 2020	1,347,591,234	1,091,235,850	27,733,352

\*Please refer Note 1 for fund events.

## Statement of Operations and Changes in Net Assets

For the year ended October 31, 2023

	Total (USD)	Franklin Emerging Market Debt Opportunities II Fund (EUR)	Franklin Emerging Market Investment Grade Debt Fund' (USD)	Franklin Floating Rate II Fund' (USD)
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>917,592,258</b>	<b>897,675,915</b>	<b>30,177,205</b>	<b>208,177</b>
Currency translation adjustment	62,513,731	–	–	–
	980,105,989	897,675,915	30,177,206	208,177
<b>INCOME</b>				
Interest income on debt securities (net of withholding taxes) (note 2(h))	61,326,131	57,328,068	674,345	–
Bank interest (note 2(h))	161,142	136,350	15,849	1,038
Sundry income (note 2(h))	294,128	208,136	–	73,925
<b>TOTAL INCOME</b>	<b>61,781,401</b>	<b>57,672,554</b>	<b>690,194</b>	<b>74,963</b>
<b>EXPENSES</b>				
Investment management fees (note 4)	5,509,977	5,207,768	277	–
Administration and transfer agency fees	1,322,428	1,249,856	74	35
Directors fees	15,246	14,131	296	–
Subscription tax (note 6)	77,946	72,852	870	–
Custodian fees	471,105	357,455	46,330	46,596
Audit fees	43,973	18,500	18,500	5,900
Printing and publishing expenses	13,924	9,968	1,378	2,000
Other charges (note 12)	123,268	61,009	47,962	10,760
<b>TOTAL EXPENSES</b>	<b>7,577,867</b>	<b>6,991,539</b>	<b>115,687</b>	<b>65,291</b>
Expenses reimbursement (note 9)	(182,944)	(89,172)	(88,602)	–
<b>NET EXPENSES</b>	<b>7,394,923</b>	<b>6,902,367</b>	<b>27,085</b>	<b>65,291</b>
<b>NET INCOME/(EXPENSES) FROM INVESTMENTS</b>	<b>54,386,478</b>	<b>50,770,187</b>	<b>663,109</b>	<b>9,672</b>
Net realised profit/(loss) on sale of investments (note 8)	(66,873,602)	(57,297,530)	(6,254,119)	(6)
Net realised profit/(loss) on forward foreign exchange contracts	18,378,414	17,513,113	(151,352)	1,293
Net realised profit/(loss) on foreign exchange transactions	(971,764)	(897,692)	(22,015)	(11)
<b>NET REALISED PROFIT/(LOSS) FOR THE YEAR</b>	<b>4,919,526</b>	<b>10,088,078</b>	<b>(5,764,377)</b>	<b>10,948</b>
Change in net unrealised appreciation/(depreciation) on:				
Investments (note 8)	49,312,353	38,534,164	8,544,088	–
Forward foreign exchange contracts	867,161	842,314	(23,654)	(334)
Foreign exchange transactions	(182,784)	(175,986)	3,140	265
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>54,916,256</b>	<b>49,288,570</b>	<b>2,759,197</b>	<b>10,879</b>
<b>MOVEMENT OF CAPITAL</b>				
Issue of shares	62,679,917	58,581,228	702,316	–
Redemption of shares	(237,521,226)	(193,487,876)	(32,596,418)	(219,056)
Equalisation (note 13)	(455,682)	(285,357)	(153,781)	–
	(175,296,991)	(135,192,005)	(32,047,883)	(219,056)
Dividends paid/accumulated	(67,054,872)	(62,758,204)	(658,126)	–
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL</b>	<b>(242,351,863)</b>	<b>(197,950,209)</b>	<b>(32,706,009)</b>	<b>(219,056)</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>792,670,382</b>	<b>749,014,276</b>	<b>230,393</b>	<b>–</b>

\*Please refer Note 1 for fund events.

## Statistical Information

	Total Expense Ratio October 31, 2023 (See note 15)	Shares outstanding as at October 31, 2023	Net Asset Value per share as at October 31, 2023	Net Asset Value per share as at October 31, 2022	Net Asset Value per share as at October 31, 2021
<b>Franklin Emerging Market Debt Opportunities II Fund – EUR</b>					
I (acc) EUR <sup>#</sup>	0.81%	487,938.679	10.44	–	–
I (Ydis) EUR-H2 (hedged)	0.90%	120,563,251.768	6.17	6.21	7.95
<b>Franklin Emerging Market Investment Grade Debt Fund – USD<sup>*</sup></b>					
I (acc) EUR	–	8.416	23.15	14.29	15.60
I (acc) EUR-H1 (hedged)	–	89.081	15.56	8.96	11.75
I (acc) USD	–	5.664	18.23	10.50	13.39
Y (Mdis) USD	–	18,490.979	12.36	7.24	9.59
<b>Franklin Floating Rate II Fund – USD<sup>*</sup></b>					
A (acc) EUR-H1 (hedged)	–	–	–	2.96	7.01
A (acc) USD	–	–	–	4.57	10.92
A (Mdis) USD	–	–	–	2.47	5.91
I (acc) EUR-H1 (hedged)	–	–	–	3.09	7.28
I (acc) GBP-H1 (hedged)	–	–	–	3.41	7.89
I (acc) USD	–	–	–	4.80	11.42
I (Mdis) USD	–	–	–	2.59	6.17
I (Qdis) EUR-H1 (hedged)	–	–	–	2.51	5.90
I (Ydis) CHF-H1 (hedged)	–	–	–	2.76	6.39
I (Ydis) EUR-H1 (hedged)	–	–	–	2.80	6.60
I (Ydis) USD	–	–	–	3.08	7.31
W (acc) EUR-H1 (hedged)	–	–	–	3.48	8.18
W (acc) USD	–	–	–	4.04	9.63
W (Qdis) USD	–	–	–	2.91	6.93
Y (Mdis) USD	–	–	–	3.02	7.19

<sup>#</sup>This Fund / share class was launched during the year.

<sup>\*</sup>Please refer Note 1 for fund events.



# Notes to Financial Statements

For the year ended October 31, 2023

## Note 1 - The Company

Franklin Templeton Series II Funds (“FTSIF” or the “Company”) is an Undertaking for Collective Investment pursuant to Part II of the Luxembourg law of December 17, 2010 relating to Undertakings for Collective Investment, as amended, and qualifies as a société d’investissement à capital variable. The Company qualifies as an Alternative Investment Fund within the meaning of article 1(39) of the law of July 12, 2013. The Company was incorporated in Luxembourg on May 14, 2007, for an undetermined period of time. At reporting date, it offers shares in 1 sub-fund of the Company (the “Fund(s)”). The Board of Directors of the Company may authorise the creation of additional Funds in the future with different investment objectives.

The exclusive objective of the Company is to invest the assets of the Funds in transferable securities and other permitted assets of any kind, including units or shares of investment funds, with the purpose of spreading investment risks and affording its shareholders the results of the management of its assets.

### Fund closures

- Franklin Emerging Market Investment Grade Debt Fund was put into liquidation effective April 11, 2023, but its portfolio cannot be fully liquidated because it holds Russian restricted assets. When the Russian securities are able to be disposed of, any remaining cash proceeds will be distributed to investors. The remaining amount of cash at bank is USD 300,937 as at October 31, 2023, and the cash balance as at February 16, 2024 is USD 282,206.53. The management company continues to monitor the cash balance which will be used to cover costs linked to liquidation.

- Franklin Floating Rate II Fund was put into liquidation effective August 11, 2020 and closed with the final NAV issued on November 29, 2022, this being due to illiquid positions held in the portfolio which prevented the complete sell-down of the remaining positions and thus the closure of the fund. On October 31, 2023, the remaining amount of cash at bank is USD 3,829.80 which will be used to pay outstanding liquidation and associated Fund expenses. The remaining cash as at February 16, 2024 is EUR 3,388.70 and USD 10.78 which will be used to pay the outstanding audit fee, after which the custody accounts will be closed.

- Franklin Upper Tier Floating Rate Fund and Franklin Multi-Sector Credit Income Fund were closed during the previous financial year, with the final distribution to shareholders who were invested at closure date being processed as at February 16, 2024, after which the custody accounts will be closed.

## Note 2 - Significant accounting policies

### (a) General

The financial statements are prepared in accordance with the regulations of the Grand Duchy of Luxembourg relating to investment funds under the going concern basis of accounting with the exception of the Franklin Emerging Market Investment Grade Debt Fund which was put into liquidation effective April 11, 2023, hence the financial statements for this sub-fund have been prepared on a liquidation basis. The application of the non-going concern basis of accounting has not led to material adjustments to the sub-funds published net asset value.

### (b) Investment in securities

Corporate debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Senior secured corporate loans with floating or variable interest rates generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from loan dealers and other financial institutions, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services use independent market quotations from loan dealers or financial institutions

## **Note 2 - Significant accounting policies (continued)**

### **(b) Investment in securities (continued)**

and may incorporate valuation methodologies that consider multiple bond characteristics such as dealer quotes, issuer type, coupon, maturity, weighted average maturity, interest rate spreads and yield curves, cash flow and credit risk/quality analysis to determine current value.

Securities which are listed on a stock exchange or traded on any other organised market are valued at the last available price on such exchange or market which is normally the principal market for each security, and those securities dealt in on an over-the-counter market are valued in a manner as near as possible to that for quoted securities.

Securities not listed on any stock exchange nor traded on any organised market are valued at the last available price, or if such price is not representative of their fair value, they are valued prudently and in good faith on the basis of their reasonably foreseeable sales prices.

For mortgage-backed and other similar holdings with scheduled debt paydowns, the Company records estimates, based on its historical experience, for anticipated paydowns. Such estimates are recorded as a reduction or increase to the related holdings as disclosed on the Schedule of Investments and are included in the related unrealised appreciation/(depreciation) on investments shown on the "Statement of Operations and Changes in Net Assets".

Stocks, shares or units in open-ended investment funds are valued based on the last available net asset value determined according to the provisions of the particular investment fund's prospectus as provided by the administration agent of such investment fund.

The Management Company has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. In such circumstances, the price of such investment shall be adjusted in accordance with the procedures adopted, as determined by or under the direction of the Board of Directors.

During the accounting year under review, discounts and premiums were amortised to income over the period to maturity, or date sold, if earlier and gains and losses on investment securities sold were computed on the average cost basis for all Funds.

In accordance with the provisions of the current prospectus, Market Level Fair Valuation may be implemented to protect the interests of the Fund's shareholders against market timing practices, as market timers may seek to exploit possible delays between the change in the value of a Fund's portfolio holdings and the Net Asset Value of the Fund's Shares in Funds that hold significant investments in foreign securities because certain foreign markets close several hours ahead of the US markets, and in Funds that hold significant investments in small-cap securities, high-yield ("junk") bonds and other types of investments which may not be frequently traded.

The current political and financial uncertainty surrounding Russian military operations in the sovereign territory of Ukraine has increased market volatility and the economic risk of investing in securities in these countries and other impacted countries within the region. Due to the sanctions, actions by governments, developments in Ukraine itself and other circumstances, the Manager continues to assess the impact on valuation and liquidity and will take any potential actions needed, in accordance with the Company's valuation policies and procedures.

Tensions between Russia and Ukraine, and Israel and Palestine, may result in the global economy being adversely affected, along with the economies of certain nations and individual issuers. Although the Funds have no significant exposure to the Russian or Ukrainian markets and no exposure to the Israeli or Palestinian markets, the share price of some share classes may be affected by wider market volatility.

### **(c) Forward foreign exchange contracts**

Forward foreign exchange contracts are valued at the forward rate applicable at the "Statement of Net Assets" date for the remaining period, until maturity. Gains or losses resulting from forward foreign exchange contracts are recognised in the "Statement of Operations and Changes in Net Assets".

**Note 2 - Significant accounting policies (continued)****(d) Financial future contracts**

The Company may enter into financial future contracts to gain exposure to market changes. A financial future contract is an agreement between two parties to buy or sell a security for a set price on a future date. Required initial margin deposits of cash or securities are maintained by a broker in a segregated account. Subsequent payments, known as variation margin, are made or received by the Company depending on the fluctuations in the value of the underlying securities. Such variation margin is accounted for as unrealised gains or losses until the contract is closed, at which time the gains or losses are reclassified to realised gains or losses. Realised and unrealised gains and losses are included in the "Statement of Operations and Changes in Net Assets". During the year ended October 31, 2023, the Company had no exposure.

**(e) Credit default swap contracts**

A credit default swap contract is a credit derivative transaction in which two parties enter into an agreement, whereby one party pays the other a fixed periodic payment for the specified life of the agreement. The other party makes no payments unless a credit event, relating to a predetermined reference asset, occurs. If such an event occurs, the party will then make a payment to the first party, and the swap will terminate. The value of the underlying securities shall be taken into account for the calculation of the investment and borrowing powers applicable to individual users.

Credit default swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets". Any payment received or paid to initiate a contract is recorded as a liability or asset in the "Statement of Net Assets". When the swap contract is terminated early, the Fund records a realised gain or loss for any payments received or paid.

The risks of credit default swap contracts include unfavourable changes in interest rates, an illiquid secondary market and the possible inability of the counterparty to fulfil its obligations under the agreement, which may be in excess of the amount reflected in the "Statement of Net Assets". During the year ended October 31, 2023, the company had no exposure.

**(f) Cross currency swap contracts**

A cross currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets".

When the swap contract is terminated early, the Fund records a realised gain or loss equal to the difference between the current net present value and the executed net present value. Any outstanding interest accrual is recorded as either a net receivable or net payable.

The risks of cross currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfil its obligations under the agreement. During the year ended October 31, 2023, the Company had no exposure.

**(g) Foreign exchange transactions**

Transactions expressed in currencies other than each Fund's currency are translated into each Fund's currency at the exchange rates applicable on the transaction dates.

Assets and liabilities denominated in currencies other than each Fund's currency are translated into each Fund's currency at the appropriate exchange rates ruling at the year end. Gains and losses on foreign exchange transactions are recognised in the "Statement of Operations and Changes in Net Assets" in determining the results for the accounting year.

The reference currency of the Company as reflected in the financial statements is U.S. dollar. The principal exchange rates applied as at October 31, 2023 are as follows:

**Note 2 - Significant accounting policies (continued)**

**(g) Foreign exchange transactions (continued)**

BRL	5.0402	HUF	361.5400	PLN	4.2120
COP	4,116.0000	IDR	15,885.0000	UYU	39.9650
DOP	56.7350	JPY	151.5850	UZS	12,234.4200
EUR	0.9452	KZT	469.8150	ZAR	18.6383
GBP	0.8229	MXN	18.0306		
GEL	2.7050	PEN	3.8416		

The above exchange rates have been rounded to four decimal places.

The list of the currency abbreviations is available in note 16.

**(h) Income**

Dividends are credited to income on their ex-dividend date. Interest income is accrued on a daily basis and includes the amortisation of premiums and accretion of discounts, where applicable. Bank interest is credited to the funds upon receipt. Sundry income includes the reversal of prior period over accruals such as Audit Fee, Publication Fee, Printing Fee, Agent Fee, Legal Fee, Registration Fee and Tax Fee.

**(i) Charges and expenses**

All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund.

**(j) Formation expenses**

Formation expenses associated with the launch of the new Funds are expensed as incurred.

**(k) Senior floating rate interest**

Senior secured corporate loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the other reference rates applicable in the market. Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. During the year ended October 31, 2023, the Company had no exposure.

**(l) Combined financial statements**

The accounts of the Company are expressed in U.S. dollars and the accounts of the Funds are kept in the currency of each Fund. The combined "Statement of Net Assets" and the combined "Statement of Operations and Changes in Net Assets" are the sum of the "Statement of Net Assets" and the "Statement of Operations and Changes in Net Assets" of each Fund converted into the currency of the Company using exchange rates prevailing at year end. The currency translation adjustment presented on the "Statement of Operations and Changes in Net Assets" is the sum of exchange differences arising on translation of each Fund "Net assets at the beginning of the year" into the currency of the Company using exchange rates prevailed at previous period and current accounting reporting date.

**(m) Swing pricing**

A Fund may suffer reduction of the Net Asset Value per Share due to Investors purchasing, selling and/or switching in and out of the Fund at a price that does not reflect the dealing costs associated with this Fund's portfolio trades undertaken by the Investment Managers to accommodate cash inflows or outflows.

To counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy.

**Note 2 - Significant accounting policies (continued)****(m) Swing pricing (continued)**

The Fund operates a swing pricing mechanism which is applied when the total estimated capital activity (aggregate of estimated inflows and outflows) at a Fund level exceeds a pre-determined threshold, as determined as a percentage of the net assets of that Fund for the Valuation Day. Funds can operate a full swing pricing mechanism where the threshold is set to zero or a partial swing pricing mechanism where the threshold is greater than zero.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each Share Class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each Share Class in a Fund identically. Swing pricing does not address the specific circumstances of each individual investor transaction.

The adjustments will seek to reflect the anticipated prices at which the Fund will be buying and selling assets, as well as estimated transaction costs.

Investors are advised that the volatility of any Fund's Net Asset Value might not reflect the true portfolio performance as a consequence of the application of swing pricing.

The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of such underlying investments of the Fund.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and under normal market conditions will not exceed 2% of the original Net Asset Value per Share. The Board of Directors can approve an increase of this limit in case of exceptional circumstances, unusually large Shareholders trading activities, and if it is deemed to be in the best interest of Shareholders.

The Management Company mandates authority to the Swing Pricing Oversight Committee to implement and on a periodic basis review, the operational decisions associated with swing pricing. This committee is responsible for decisions relating to swing pricing and the ongoing approval of swing factors which form the basis of pre-determined standing instructions.

The price adjustment is available on request from the Management Company at its registered office.

In the case of a swing pricing event on the last day of the year end, the net assets as disclosed in the "Statement of Net Assets", exclude the swing pricing adjustment, however, the Net Asset Value per Share as at year end, as disclosed in the Statistical Information, would include the swing pricing adjustment. No swing pricing applied as at October 31, 2023.

During the year ended October 31, 2023, swing pricing adjustments affected the net asset value per share of the following Funds:

- Franklin Emerging Market Debt Opportunities II Fund
- Franklin Emerging Market Investment Grade Debt Fund

**Note 3 - Forward foreign exchange contracts**

As at October 31, 2023, the Company had entered into the following outstanding contracts:

**Franklin Emerging Market Debt Opportunities II Fund**

Purchases		Sales		Maturity Date	Unrealised profit/(loss) EUR
Forward foreign exchange contracts used for efficient portfolio management:					
TRY	221,000,000	EUR	6,818,705	02/15/2024	(115,602)
					<u>(115,602)</u>
Forward foreign exchange contracts used for share class hedging:					
EUR	1,736,730	GBP	1,500,000	12/13/2023	16,459
EUR	2,164,674	JPY	337,700,000	12/13/2023	48,087

### Note 3 - Forward foreign exchange contracts (continued)

#### Franklin Emerging Market Debt Opportunities II Fund (continued)

Purchases		Sales		Maturity Date	Unrealised profit/(loss) EUR
EUR	408,771,512	USD	439,037,676	12/13/2023	(5,406,538)
USD	16,383,655	EUR	15,460,133	12/13/2023	(4,170)
USD	12,453	GBP	10,000	12/13/2023	280
USD	15,835	JPY	2,300,000	12/13/2023	523
					<u>(5,345,359)</u>
					<u><b>(5,460,961)</b></u>

The above contracts were opened with the below counterparties:

Barclays	(998,414)
Citibank	(1,106,254)
Deutsche Bank	(1,145,601)
Morgan Stanley	(1,085,832)
RBC	(1,124,860)
	<u><b>(5,460,961)</b></u>

### Note 4 - Investment management fees

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum (as detailed below) of each Fund's adjusted daily net assets during the accounting period. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. The following percentages apply in respect of the existing Funds as at October 31, 2023:

- No management fee is payable by an investor on the acquisition of Class Y shares, instead a fee is paid to the Investment Manager or affiliates under a separate agreement.
- Class I:

	Fee %
Franklin Emerging Market Debt Opportunities II Fund	0.70%
Franklin Emerging Market Investment Grade Debt Fund	0.65%

### Note 5 - Connected party transactions

Certain directors of the Company are or may also be officers and/or directors of the Management Company i.e. Franklin Templeton International Services S.à r.l. or of the Investment Manager, among others, Franklin Templeton Investment Management Limited.

The Investment Manager will be remunerated by the Management Company out of the investment management fee received from the Company, as detailed in note 4 to the financial statements.

There are no connected brokers in Franklin Templeton, and no transactions were entered into with connected brokers during the year ended October 31, 2023.

During the year ended October 31, 2023, the Company accrued administration and transfer agency fees and shares' maintenance and service charges in respect of Franklin Templeton International Services S.à r.l. as Management Company and Principal Distributor of the Funds. All transactions with connected parties were entered into in the ordinary course of business and under normal commercial terms.

### Note 6 - Taxation

Under current laws and practice, the Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income and is not subject to the Grand Duchy of Luxembourg's net wealth tax. In addition, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

**Note 6 - Taxation (continued)**

The Company is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum, such tax being paid quarterly, and calculated on the net asset value of each Fund at the end of each relevant quarter. This tax is not applicable for the portion of the assets of a Fund invested in other Undertakings for Collective Investment that have already been subject to such tax. Class I and Y shares may benefit from a reduced rate of 0.01% per annum if all shareholders of these share classes are institutional investors.

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin. All liabilities in respect of taxes payable on unrealised capital gains on investments are provided for as soon as there is a reasonable certainty that a liability will crystallise.

No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of shares in the Company. A EUR 75 registration duty is to be paid upon incorporation and each time the Articles of the Company are amended.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with current laws.

**Note 7 - Share classes**

**Class I (acc) Shares:** Shares offered to institutional investors as more fully described in the current Prospectus of the Company. No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares. Class I (acc) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced investment management fee (note 4).

**Class I (dis) Shares:** Shares offered to institutional investors as more fully described in the current prospectus of the Company. Purchases of Class I (dis) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced investment management fee (note 4). Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class).

**Class Y (dis) Shares:** are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class Y shares are designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration fees is levied and collected by the Management Company directly from the investors who are clients of Franklin Templeton Investments and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y shares. Class Y shares may only be offered to institutional investors in certain limited circumstances, at the discretion of the Management Company and/or its affiliates, as more fully described in the current prospectus of the Company.

**Alternative currency hedged share classes:** Shareholders of the hedged share class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the costs of the relevant financial instruments. The gains/losses and the costs of the relevant financial instruments will accrue solely to the relevant hedged share class.

The above mentioned distributing share classes may have different frequencies: (Mdis) share classes distribute monthly and (Ydis) share classes distribute annually.

**Note 8 - Net Profit/ (Loss) on Investments**

	Franklin Emerging Market Debt Opportunities II Fund EUR	Franklin Emerging Market Investment Grade Debt Fund USD	Franklin Floating Rate II Fund USD
Realised profit on sale of investments	52,905,075	627,661	–
Realised loss on sale of investments	(110,202,605)	(6,881,780)	(6)
<b>Net realised profit/(loss) on sale of investments</b>	<b>(57,297,530)</b>	<b>(6,254,119)</b>	<b>(6)</b>
Change in unrealised profit on investments	123,996,171	8,776,440	–
Change in unrealised loss on investments	(85,462,007)	(232,352)	–
<b>Change in net unrealised profit/(loss) on investments</b>	<b>38,534,164</b>	<b>8,544,088</b>	–

### **Note 9 - Expenses reimbursement**

On a daily basis, for share classes where the expenses are capped, the level of expenses is calculated and compared to the cap and where the level of expenses is higher than the cap, this difference is booked as a decrease of expense (the "waiver fees"). On a monthly basis the waiver fees are deducted from the fees received by Franklin Templeton International Services S.à r.l.

The amount of waiver fees is disclosed as "Expenses reimbursement" in the "Statement of Operations and Changes in Net Assets".

### **Note 10 - Statement of changes in the investment portfolio**

A list, specifying for each Fund total purchases and sales transacted during the year under review, may be obtained, upon request, at the registered office of the Company.

### **Note 11 - Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, brokers and dealers. For debt securities and derivatives, transaction costs are not separately identifiable from the purchase price of the security and therefore cannot be disclosed separately.

### **Note 12 - Other charges**

Other expenses mainly consist of legal fees, miscellaneous fees, paying agent fees, registration fees, tax fees, the reversal of prior period over accruals and maintenance and service charges.

### **Note 13 - Equalisation**

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issues and the costs of sale of shares, equivalent on a per share basis to the amount of undistributed net investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed net investment income per share is unaffected by issues or redemptions of shares. However, in respect of any Fund offering only accumulation shares, the Board of Directors and/or the Management Company reserves the right not to apply equalisation.

### **Note 14 - Global credit facility**

Effective February 3, 2023, the Company together with other European and U.S. registered investment funds managed by Franklin Templeton Investments (individually, Borrower; collectively, Borrowers), entered into a joint syndicated revolving senior unsecured credit facility totaling USD 2,675 million (Global Credit Facility) with a group of banks to provide a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, a Borrower shall, in addition to interest charged on any borrowings and other costs incurred by the Borrower, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee based upon the unused portion of the Global Credit Facility.

During the financial year ended October 31, 2023, the Company did not use the Global Credit Facility.

### **Note 15 - Total Expense Ratio**

The Total Expense Ratio ("TER"), expressed as a percentage, represents how the total annualised expenses of each share class relate to the average net assets of each share class for the year ended October 31, 2023. The total expenses comprise the investment management fees, the administration and transfer agency fees, the custodian fees and other expenses as summarised in the "Statement of Operations and Changes in Net Assets".



## Note 16 - Abbreviations

### Countries

AGO	Angola	DOM	Dominican Republic	KAZ	Kazakhstan	SRB	Serbia
ARM	Armenia	EGY	Egypt	MEX	Mexico	TTO	Trinidad and Tobago
AZE	Azerbaijan	GEO	Georgia	MKD	Macedonia	TUN	Tunisia
BEN	Benin	GHA	Ghana	NGA	Nigeria	TUR	Turkey
BRA	Brazil	HND	Honduras	PAK	Pakistan	UKR	Ukraine
CHN	China	HUN	Hungary	PAN	Panama	URY	Uruguay
CIV	Ivory Coast	IDN	Indonesia	PER	Peru	USA	United States of America
CMR	Cameroon	IND	India	PRY	Paraguay	UZB	Uzbekistan
COL	Colombia	IRQ	Iraq	ROU	Romania	VEN	Venezuela
CRI	Costa Rica	JAM	Jamaica	RUS	Russia	ZAF	South Africa
CZE	Czech Republic	JEY	Jersey	SLV	El Salvador		
DEU	Germany	JOR	Jordan	SP	Supranational		

### Currencies

BRL	Brazilian Real	GEL	Georgian Lari	MXN	Mexican Peso	UZS	Uzbekistani Som
COP	Colombian Peso	HUF	Hungarian Forint	PEN	Peruvian Nuevo Sol	ZAR	South African Rand
	Dominican Republic						
DOP	Peso	IDR	Indonesian Rupiah	PLN	Polish Zloty		
EUR	Euro	JPY	Japanese Yen	USD	US Dollar		
GBP	British Pound Sterling	KZT	Kazakhstani Tenge	UYU	Uruguayan Peso		

## Note 17 - Subsequent events

There have been no subsequent events since the year end.

## Schedule of Investments, October 31, 2023

## Franklin Emerging Market Debt Opportunities II Fund

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	<b>SHARES</b>				
	<b>Metals &amp; Mining</b>				
2,156,091	Petra Diamonds Ltd.	ZAF	GBP	1,109,449	0.15
				<u>1,109,449</u>	<u>0.15</u>
	<b>TOTAL SHARES</b>			<u>1,109,449</u>	<u>0.15</u>
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
13,700,000	Frigorifico Concepcion SA, Reg. S 7.7% 07/21/2028	PRY	USD	10,524,810	1.40
12,200,000	Adani Electricity Mumbai Ltd., Reg. S 3.949% 02/12/2030	IND	USD	8,213,297	1.10
7,300,000	Banca Transilvania SA, Reg. S 8.875% 04/27/2027	ROU	EUR	7,560,026	1.01
7,700,000	Pegasus Hava Tasimaciligi A/S, Reg. S 9.25% 04/30/2026	TUR	USD	7,326,492	0.98
8,450,000	Kosmos Energy Ltd., Reg. S 7.75% 05/01/2027	GHA	USD	7,188,486	0.96
78,500,000,000	Ipoteka-Bank ATIB, Reg. S 16% 04/16/2024	UZB	UZS	5,982,587	0.80
8,500,000	Braskem Idesa SAPI, Reg. S 7.45% 11/15/2029	MEX	USD	5,089,211	0.68
4,700,000	Access Bank plc, Reg. S 6.125% 09/21/2026	NGA	USD	3,718,242	0.50
4,150,000	IHS Netherlands Holdco BV, Reg. S 8% 09/18/2027	NGA	USD	3,210,680	0.43
2,900,000	Ardshinbank CJSC, Reg. S 6.5% 01/28/2025	ARM	USD	2,706,758	0.36
49,420,000	Red de Carreteras de Occidente SAB de CV, Reg. S 9% 06/10/2028	MEX	MXN	2,428,080	0.32
2,281,983	Petra Diamonds US Treasury plc, Reg. S 9.75% 03/08/2026	ZAF	USD	1,844,136	0.24
6,750,000	Sri Rejeki Isman Tbk. PT, Reg. S 7.25% 01/16/2025 <sup>§</sup>	IDN	USD	204,159	0.03
				<u>65,996,964</u>	<u>8.81</u>
	<b>Government and Municipal Bonds</b>				
145,900,000	Brazil Notas do Tesouro Nacional 10% 01/01/2029	BRA	BRL	25,838,691	3.45
400,000,000	Mexican Bonos Desarr Fixed Rate 8% 11/07/2047	MEX	MXN	17,025,715	2.27
412,000,000	South Africa Government Bond 7% 02/28/2031	ZAF	ZAR	16,538,024	2.21
21,450,000	Ivory Coast Government Bond, Reg. S 4.875% 01/30/2032	CIV	EUR	16,261,781	2.17
20,000,000	Romania Government Bond, Reg. S 1.375% 12/02/2029	ROU	EUR	15,610,180	2.08
19,900,000	Angola Government Bond, Reg. S 8% 11/26/2029	AGO	USD	15,051,868	2.01
17,000,000	Brazil Government Bond 4.5% 05/30/2029	BRA	USD	14,829,384	1.98
15,918,750	Iraq Government Bond, Reg. S 5.8% 01/15/2028	IRQ	USD	13,423,584	1.79
794,000,000	Dominican Republic Government Bond, Reg. S 9.75% 06/05/2026	DOM	DOP	13,227,684	1.77
592,332,000	Uruguay Government Bond 8.25% 05/21/2031	URY	UYU	12,796,822	1.71
15,400,000	Serbia Government Bond, Reg. S 1.5% 06/26/2029	SRB	EUR	11,954,712	1.60
5,700,000,000	Kazakhstan Government Bond 0% 04/07/2024	KAZ	KZT	10,767,640	1.44
51,200,000	Peru Government Bond 5.4% 08/12/2034	PER	PEN	10,524,363	1.41
11,250,000	Southern Gas Corridor CJSC, Reg. S 6.875% 03/24/2026	AZE	USD	10,500,206	1.40
13,960,000	Benin Government International Bond, Reg. S 4.875% 01/19/2032	BEN	EUR	10,473,769	1.40
14,096,000	Paraguay Government Bond, Reg. S 2.739% 01/29/2033	PRY	USD	9,995,354	1.33
122,510,000,000	Uzbekistan Government Bond, Reg. S 14% 07/19/2024	UZB	UZS	9,455,762	1.26
10,200,000	Costa Rica Government Bond, Reg. S 7.158% 03/12/2045	CRI	USD	9,033,245	1.21
8,500,000	Jamaica Government Bond 7.875% 07/28/2045	JAM	USD	8,714,249	1.16
9,600,000	Indonesia Government Bond 4.15% 09/20/2027	IDN	USD	8,637,191	1.15
361,730,695	Uruguay Government Bond 3.7% 06/26/2037	URY	UYU	8,626,004	1.15
7,800,000	North Macedonia Government Bond, Reg. S 6.96% 03/13/2027	MKD	EUR	7,914,551	1.06
9,550,000	Honduras Government Bond, Reg. S 5.625% 06/24/2030	HND	USD	7,575,477	1.01
34,700,000,000	Colombia Government Bond 9.85% 06/28/2027	COL	COP	7,535,893	1.01
10,100,000	Dominican Republic Government Bond, Reg. S 6.4% 06/05/2049	DOM	USD	7,526,215	1.01
8,000,000	Colombia Government Bond 7.5% 02/02/2034	COL	USD	7,094,051	0.95
6,820,000	Germany Treasury Bill, Reg. S 0% 02/21/2024	DEU	EUR	6,741,093	0.90
2,614,200,000	Hungary Treasury Bill 0% 04/30/2024	HUN	HUF	6,574,098	0.88
7,300,000	Jordan Government Bond, Reg. S 7.5% 01/13/2029	JOR	USD	6,440,884	0.86
8,500,000	Angola Government Bond, Reg. S 8.75% 04/14/2032	AGO	USD	6,274,398	0.84
7,750,000	Turkey Government Bond 5.95% 01/15/2031	TUR	USD	6,181,306	0.83
8,000,000	Armenia Government Bond, Reg. S 3.95% 09/26/2029	ARM	USD	6,094,511	0.81
8,750,000	Cameroon Government Bond, Reg. S 5.95% 07/07/2032	CMR	EUR	5,648,738	0.75
11,800,000	Egypt Government Bond, Reg. S 7.5% 02/16/2061	EGY	USD	5,548,231	0.74
6,750,000	Jordan Government Bond, Reg. S 5.85% 07/07/2030	JOR	USD	5,415,631	0.72
2,470,000,000	Kazakhstan Government Bond 14.5% 04/28/2025	KAZ	KZT	4,960,806	0.66
7,300,000	El Salvador Government Bond, Reg. S 7.65% 06/15/2035	SLV	USD	4,863,398	0.65
8,300,000	Egypt Government Bond, Reg. S 7.625% 05/29/2032	EGY	USD	4,509,771	0.60
5,200,000	BOI Finance BV, Reg. S 7.5% 02/16/2027	NGA	EUR	4,419,870	0.59
8,900,000	Pakistan Government Bond, Reg. S 7.375% 04/08/2031	PAK	USD	4,175,598	0.56
6,100,000	Mexico Government Bond 4.6% 01/23/2046	MEX	USD	4,122,365	0.55

## Franklin Emerging Market Debt Opportunities II Fund (continued)

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
187,000,000	Dominican Republic Government Bond, Reg. S 13.625% 02/03/2033	DOM	DOP	3,550,191	0.47
4,000,000	Panama Government Bond, Reg. S, 144A 6.375% 07/25/2033	PAN	USD	3,447,448	0.46
73,700,000	Mexican Bonos Desarr Fixed Rate 7.75% 05/29/2031	MEX	MXN	3,368,098	0.45
3,590,000	Serbia Government Bond, Reg. S 3.125% 05/15/2027	SRB	EUR	3,260,991	0.44
6,550,000	Ukraine Government Bond, Reg. S, FRN 7.75% 08/01/2041 <sup>§</sup>	UKR	USD	2,596,165	0.35
3,600,000	Armenia Government Bond, Reg. S 3.6% 02/02/2031	ARM	USD	2,516,366	0.34
1,239,105,000	Kazakhstan Government Bond 0% 01/20/2024	KAZ	KZT	2,421,699	0.32
4,100,000	Ghana Government Bond, Reg. S 8.125% 01/18/2026 <sup>§</sup>	GHA	USD	1,681,116	0.22
160,895,000	Kazakhstan Government Bond 9.5% 01/30/2024	KAZ	KZT	321,646	0.04
				412,066,833	55.02
	<b>Quasi-Sovereign Bonds</b>				
20,700,000	KazMunayGas National Co. JSC, Reg. S 5.75% 04/19/2047	KAZ	USD	14,581,957	1.94
9,900,000	Huarong Finance II Co. Ltd., Reg. S 4.625% 06/03/2026	CHN	USD	8,368,963	1.12
6,950,000	Istanbul Metropolitan Municipality, Reg. S 10.75% 04/12/2027*	TUR	USD	6,720,085	0.90
23,250,000,000	Bogota Distrito Capital, Reg. S 9.75% 07/26/2028*	COL	COP	4,761,126	0.63
22,293,243,937	PA Autopista Rio Magdalena, Reg. S 6.05% 06/15/2036	COL	COP	4,172,237	0.56
5,800,000	Ecopetrol SA 4.625% 11/02/2031	COL	USD	4,116,781	0.55
				42,721,149	5.70
	<b>Supranational</b>				
308,000,000,000	European Bank for Reconstruction & Development 6.17% 03/10/2025	SP	IDR	18,319,894	2.45
72,600,000	Asian Development Bank 8.175% 09/15/2024	SP	PLN	16,573,084	2.21
3,032,000,000	Asian Development Bank 13.6% 04/17/2024	SP	HUF	8,035,594	1.07
7,950,000	Banque Ouest Africaine de Developpement, Reg. S 4.7% 10/22/2031	SP	USD	5,939,695	0.79
15,500,000	European Investment Bank 8.5% 12/01/2023	SP	GEL	5,375,116	0.72
2,600,000	Banque Ouest Africaine de Developpement, Reg. S 5% 07/27/2027	SP	USD	2,191,362	0.29
				56,434,745	7.53
	<b>TOTAL BONDS</b>			577,219,691	77.06
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>			578,329,140	77.21
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	<b>BONDS</b>				
	<b>Asset-Backed Securities</b>				
2,887,467	Peru Enhanced Pass-Through Finance Ltd., Reg. S 0% 06/02/2025	PER	USD	2,568,972	0.34
				2,568,972	0.34
	<b>Corporate Bonds</b>				
11,900,000	Telecommunications Services of Trinidad & Tobago Ltd., Reg. S 8.875% 10/18/2029	TTO	USD	9,462,412	1.26
11,445,525	UEP Penonome II SA, Reg. S 6.5% 10/01/2038	PAN	USD	8,140,603	1.08
8,650,000	Energopro A/S, Reg. S 8.5% 02/04/2027	CZE	USD	7,787,371	1.04
9,662,516	MC Brazil Downstream Trading SARL, Reg. S 7.25% 06/30/2031	BRA	USD	6,503,705	0.87
7,600,000	Cemex SAB de CV, Reg. S 3.875% 07/11/2031	MEX	USD	5,836,139	0.78
5,400,000	Fidelity Bank plc, Reg. S 7.625% 10/28/2026	NGA	USD	4,481,541	0.60
3,400,000	Aegea Finance SARL, Reg. S 9% 01/20/2031	BRA	USD	3,207,633	0.43
2,900,000	Energopro A/S, Reg. S 11% 11/02/2028	CZE	USD	2,747,873	0.37
3,600,000	Braskem Idesa SAPI, Reg. S 6.99% 02/20/2032	MEX	USD	2,011,347	0.27
24,000,000	Country Garden Holdings Co. Ltd., Reg. S 7.25% 04/08/2026 <sup>§</sup>	CHN	USD	1,101,323	0.15
600,000	CSN Inova Ventures, Reg. S 6.75% 01/28/2028	BRA	USD	519,071	0.07
				51,799,018	6.92
	<b>Government and Municipal Bonds</b>				
16,500,000	Georgia Treasury 9.125% 05/30/2025	GEO	GEL	5,813,104	0.78
580,000,000	Tunisia Government Bond 4.2% 03/17/2031	TUN	JPY	1,607,526	0.21
600,207	IIRSA Norte Finance Ltd., Reg. S 8.75% 05/30/2024	PER	USD	568,779	0.08
100,000,000	Tunisia Government Bond 3.28% 08/09/2027	TUN	JPY	299,602	0.04
				8,289,011	1.11
	<b>Quasi-Sovereign Bonds</b>				
19,123,865	Rutas 2 & 7 Finance Ltd., Reg. S 0% 09/30/2036	PRY	USD	11,508,211	1.54
11,400,000	Heritage Petroleum Co. Ltd., Reg. S 9% 08/12/2029	TTO	USD	11,211,437	1.50
11,000,000	Petroleos Mexicanos 6.7% 02/16/2032	MEX	USD	7,672,665	1.02
17,124,597,956	Fideicomiso PA Costera, Reg. S 6.25% 01/15/2034	COL	COP	3,372,039	0.45

**Franklin Emerging Market Debt Opportunities II Fund** (continued)

(Currency - EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
3,350,000	CITGO Petroleum Corp., Reg. S 7% 06/15/2025	VEN	USD	3,114,567	0.41
				36,878,919	4.92
	<b>TOTAL BONDS</b>			99,535,920	13.29
	<b>TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</b>			99,535,920	13.29
	TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET				
	<b>BONDS</b>				
	<b>Corporate Bonds</b>				
13,500,000	Alfa Bank AO, Reg. S 5.95% 04/15/2030**§	RUS	USD	–	–
				–	–
	<b>Quasi-Sovereign Bonds</b>				
12,892,857	TER Finance Jersey Ltd., Reg. S 8.85% 06/20/2028**	JEY	EUR	12,203,475	1.63
				12,203,475	1.63
	<b>TOTAL BONDS</b>			12,203,475	1.63
	<b>TOTAL TRANSFERABLE SECURITIES NOT ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING NOR DEALT IN ON ANOTHER REGULATED MARKET</b>			12,203,475	1.63
	<b>TOTAL INVESTMENTS</b>			<b>690,068,535</b>	<b>92.13</b>

§ These Bonds are currently in default

\* Could also be classified as Municipals

\*\* These securities are submitted to a Fair Valuation

## Schedule of Investments, October 31, 2023

## Franklin Emerging Market Investment Grade Debt Fund

(Currency - USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	<b>BONDS</b>				
	<b>Quasi-Sovereign Bonds</b>				
250,000	Russian Railways, Reg. S 5.7% 04/05/2022**§	RUS	USD	12,500	5.43
				<u>12,500</u>	<u>5.43</u>
	<b>TOTAL BONDS</b>			<u>12,500</u>	<u>5.43</u>
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>			<u>12,500</u>	<u>5.43</u>
	<b>TOTAL INVESTMENTS</b>			<u><b>12,500</b></u>	<u><b>5.43</b></u>

\*\* These securities are submitted to a Fair Valuation

§ These Bonds are currently in default

## Additional Information - Unaudited

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

### Report from the Alternative Investment Fund Manager - Unaudited

The purpose of this section is to provide supplemental information to shareholders in the context of the Alternative Investment Fund Managers Directive (“AIFMD”).

#### Risk profile / Risk management systems

The potential nature of the key risks to which the Funds could be exposed as a result of the financial instruments held, are described in detail within the Prospectus of the Funds. The purpose of this section is to provide additional information about risk mitigation and the sensitivity of the Funds to certain risks.

The AIFM of the Company has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the AIF. Regular reporting is prepared and reviewed by the AIFM’s Senior Management and the Board of FTSIIF SICAV is informed regularly about the risk profile, the risk measures monitored.

For each relevant risk area, risk limits which take into account the objectives, strategy and risk profile of the AIF are set by the AIFM. These limits are monitored regularly, as required by the nature of the risk area, and the sensitivity of the portfolio to key risks is undertaken periodically, as appropriate, to ascertain the impact of changes in key variables to the AIF. For the detailed risks the Funds could be exposed to please refer to the investment policy as disclosed in the Funds’ prospectus.

Amongst other measures regularly considered by the Investment Manager, the AIFM is assessing and monitoring market risk through relative Value at Risk (VaR) calculated using the Monte Carlo approach. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1-month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The AIFM uses the relative VaR methodology which is the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the AIF’s strategy and likely risk exposures.

No risk limits have been exceeded or were likely to be exceeded during the year.

#### Liquidity Risk

As at October 31, 2023, the Company did not hold any assets subject to special arrangements arising from their illiquid nature.

There are no new arrangements for managing the liquidity risk of the Fund.

#### Leverage under AIFMD considerations

In accordance with the EU Commission Delegated Regulation (EU) No 231/13 (the “AIFM Regulation”) leverage is any method which increases a Fund’s exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of a Fund’s exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of a Fund's positions (including all holdings) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

There was no change to the maximum level of leverage applied for AIFMD monitoring and reporting purposes since October 31, 2022.

Account	Gross Method as of October 31, 2023	Max leverage under gross method	Commitment method as of October 31, 2023	Max leverage under commitment method
Franklin Emerging Market Debt Opportunities II Fund	100.87%	210%	100.98%	170%

### Portfolio Turnover Ratio

The portfolio turnover ratio, expressed as a percentage, is equal to the total of purchases and sales of securities netted against the total value of subscriptions and redemptions, over average net assets of the Fund for the period. It is effectively a measure of how frequently a Fund buys or sells securities.

The portfolio turnover ratio calculation is not applicable to Liquid Reserve and Money Market Funds, as such a ratio is not relevant to such Funds due to the short-term nature of the investments.

Fund	Portfolio Turnover Ratio
Franklin Emerging Market Debt Opportunities II Fund	33.46%
Franklin Emerging Market Investment Grade Debt Fund*	38.26%

\*Please refer Note 1 for fund events.

### Periodic Reporting for Franklin Templeton Opportunities Funds in relation to FTSIIF

#### Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports

The Sustainable Finance Disclosure Regulation ((EU) 2019/2088), (the "SFDR") requires the Funds to include a description in their periodic reports of the extent to which their sub-funds classified pursuant to Article 8 of the SFDR (an "**Article 8 Fund**") have met their environmental or social characteristics.

The sub-funds of FTSIIF are not Article 8 Funds and do not take into account the EU criteria for environmentally sustainable economic activities, including enabling or transitional activities, within the meaning of the Taxonomy Regulation.

### Remuneration

FTIS, as AIFM, has a remuneration policy in place which applies to all Alternative Investment Funds under its management. The policy has been designed to discourage excessive risk taking, integrating in its performance management systems risk criteria specific to the business units it covers. The policy has a governance structure aimed at preventing internal conflicts of interest.

There are defined procedures in place for the creation, update, review and approval of the policy as well as for communication and implementation of the policy. Senior Management, Human Resources, Internal Audit and other functions are all involved in this process and the Policy is approved by Senior Management and the Board of Directors of the Management Company.

Fixed remuneration is defined as base salary plus other benefits which may include pension contributions, life assurance premiums or private medical insurance premiums. Levels of fixed remuneration are set with reference to job complexity, level of responsibility, performance and market benchmarking data. These levels are reviewed on a regular basis.

Variable remuneration is defined as annual bonuses, long term awards in the form of performance share grants or Sales Bonus payments. Levels of variable remuneration are set with reference to overall corporate and business unit performance as well as individual performance.

Full Remuneration policy is available at the registered office of the Management Company.

Quantitative information relevant to the Franklin Templeton Series II Funds is outlined below.

Total amount of fixed remuneration paid by FTIS and its delegates during the year ended September 30, 2023 <sup>*, **, ***</sup>	€ 547,734
Total amount of variable remuneration paid by FTIS and its delegates during the year ended September 30, 2023 <sup>*, **, ***</sup>	€ 444,117
Number of staff of FTIS and in its delegates as at September 30, 2023	601
Total amount of compensation paid by FTIS and its delegates to Senior managers/Material risk takers during the year ended September 30, 2023 <sup>*, **, ***</sup>	€ 277,621
Total amount paid by FTIS and its delegates to other members of staff who have a material impact on the profile of UCITS/AIFM during year ended September 30, 2023 <sup>*, **, ***</sup>	€ -

\* The total amount of compensation paid by FTIS has been allocated to FTSIIF based on its pro rata share of the average month end total net assets of the funds under management of FTIS for the year ended September 30, 2023.

\*\* The total amount of compensation paid by the FTIS delegates has been allocated to FTSIIF based on its pro rata share of the average month end total net assets of the funds under management of the FTIS delegates for the year ended September 30, 2023.

\*\*\*Delegates are Investment Management entities which are subject to regulatory requirements that are equally as effective as those under Article 69(3)(a) of the UCITS Directive.

### Securities Financing Transactions (SFTs) and Total Return Swaps (TRS)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) and it had no exposure to total return swap contracts during the year.

### Collateral

As at October 31, 2023, Franklin Emerging Market Debt Opportunities II Fund reported cash collateral pledged on OTC derivatives which amounted to a nominal value of USD 5,130,000 and this balance is included in the cash account.

### Audited annual report and unaudited semi-annual reports

The audited annual reports and unaudited semi-annual reports will be available on the local Franklin Templeton website, [www.franklintempleton.lu](http://www.franklintempleton.lu) or may be obtained, free of charge, on request at the registered office of the Company; they are only distributed to registered shareholders in those countries where local regulation so requires. The complete audited annual reports and unaudited semi-annual reports are available at the registered office of the Company.



## Franklin Templeton Office Directory

Further information regarding Franklin Templeton Series II Funds is available at the following Franklin Templeton office:

### **EUROPE**

#### **Luxembourg**

Franklin Templeton International Services S.à r.l.  
8A, rue Albert Borschette, L-1246 Luxembourg  
B.P. 169, L-2011 Luxembourg  
Grand Duchy of Luxembourg  
Tel: +352 27 94 0990 Fax: +352 46 66 76  
[www.franklintempleton.lu](http://www.franklintempleton.lu)

Please note that the website mentioned above is directed at residents within the country stated on this website. (Please refer to the website disclaimers).

## **INFORMATION FOR QUALIFIED INVESTORS IN SWITZERLAND**

### **1. Representative**

The representative in Switzerland is

Franklin Templeton Switzerland Ltd  
Stockerstrasse 38  
8002 Zurich  
Switzerland

### **2. Paying Agent**

The paying agent in Switzerland is

NPB Neue Privat Bank AG  
Limmatquai 1 / am Bellevue  
Postfach  
8022 Zürich

List of Funds represented in Switzerland

- Franklin Emerging Market Debt Opportunities II Fund

### **3. Place where the relevant documents may be obtained**

The Prospectus, the Articles of Association as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

### **4. Payment of fees and expenses to the Paying Agent**

The fees and expenses of the Paying Agent will be at normal commercial rates.

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

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



**Franklin Templeton International Services S.à r.l.**  
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