

UNAUDITED INTERIM REPORT

# FRANKLIN TEMPLETON FUNDS

**An authorised open-ended investment company with  
variable capital**

For the period from 1 April 2021 to 30 September 2021



FRANKLIN  
TEMPLETON

# General Information

As at September 30, 2021

## **FRANKLIN TEMPLETON FUNDS**

Head Office  
Cannon Place  
78 Cannon Street, London, EC4N 6HL

## **AUTHORISED CORPORATE DIRECTOR, ADMINISTRATOR AND REGISTRAR**

Franklin Templeton Fund Management Limited  
Cannon Place  
78 Cannon Street, London, EC4N 6HL

## **DEPOSITARY**

The Bank of New York Mellon (International) Limited  
One Canada Square, London, E14 5AL

## **INVESTMENT ADVISERS**

Franklin Advisers, Inc.  
One Franklin Parkway  
San Mateo, CA 94403, USA

Franklin Mutual Advisers, LLC  
101 John F. Kennedy Parkway, Short Hills, NJ 07078, USA

Franklin Templeton Fund Management Limited  
Cannon Place  
78 Cannon Street, London, EC4N 6HL

Franklin Templeton Investment Management Limited  
Cannon Place  
78 Cannon Street, London, EC4N 6HL

Templeton Asset Management Limited  
7 Temasek Boulevard  
38-03 Suntec Tower One, Singapore 038987

Templeton Investment Counsel, LLC  
300 S.E. 2nd Street  
Fort Lauderdale, FL 33301  
USA

Templeton Global Advisors Limited  
P.O. Box N-7759 Lyford Cay, Nassau Bahamas

## **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street, Edinburgh, EH3 8EX

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\* Collectively these comprise, together with the Investment Reviews and Portfolio Statements within each sub fund section, the Authorised Corporate Director's Report as required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

# Report of the Authorised Corporate Director

## The Company

The Company is registered in the United Kingdom and is an authorised open-ended investment company with variable capital. It has an umbrella structure and as at 30 September 2021 offered shares in 12 sub-funds (the "Funds": FTF Franklin Sterling Corporate Bond Fund, FTF Franklin UK Equity Income Fund, FTF Franklin UK Gilt Fund, FTF Franklin UK Managers' Focus Fund, FTF Franklin UK Mid Cap Fund, FTF Franklin UK Opportunities Fund, FTF Franklin UK Rising Dividends Fund, FTF Franklin UK Smaller Companies Fund, FTF Franklin US Opportunities Fund, FTF Templeton Global Emerging Markets Fund, FTF Templeton Global Total Return Bond Fund and FTF Templeton Global Leaders Fund).

The Company's registered number is SI000002 and the address of its Head Office is Cannon Place, 78 Cannon Street, London, EC4N 6HL.

The Company's Shareholders are not liable for its debts beyond the amount subscribed. The Funds are "ring-fenced", thus each Fund is treated as a separate entity and only those assets can be used to meet the liabilities attributable to that Fund. Each Fund has investment powers as set out in the prospectus of the Company from time to time.

Franklin Templeton Fund Management Limited, the Authorised Corporate Director ("ACD"), is authorised and regulated by the Financial Conduct Authority ("FCA"). The ACD may authorise the creation of additional Funds in the future with different investment objectives, subject to amendment of the Prospectus and FCA approval. The ACD's principal activity is investment management.

This Semi-Annual Report includes statements which show the financial positions of each Fund individually. Separate investment reviews are provided for each Fund.

Franklin Advisers, Inc. ("FAI") is Investment Adviser to FTF Franklin US Opportunities Fund and FTF Templeton Global Total Return Bond Fund.

Franklin Mutual Advisers, LLC ("FMA") is Investment Adviser to Franklin Mutual Shares Fund.

Franklin Templeton Fund Management Limited ("FTFML") is Investment Adviser to FTF Franklin UK Equity Income Fund, FTF Franklin UK Managers' Focus Fund, FTF Franklin UK Mid Cap Fund, FTF Franklin UK Opportunities Fund, FTF Franklin UK Rising Dividends Fund and FTF Franklin UK Smaller Companies Fund.

Franklin Templeton Investment Management Limited ("FTIML") is Investment Adviser to FTF Franklin Sterling Corporate Bond Fund and FTF Franklin UK Gilt Fund.

Templeton Asset Management Limited ("TAML") and FTIML are Co Investment Advisers to FTF Templeton Global Emerging Markets Fund.

TAML, Templeton Investment Counsel, LLC ("TIC LLC") and Templeton Global Advisors Limited ("TGAL") are Co-Investment Advisers to FTF Templeton Global Leaders Fund.

FAI, FMA and TIC LLC are regulated by the United States Securities and Exchange Commission.

FTIML is authorised and regulated by the FCA.

TGAL is a company organised in the Bahamas with its registered office at P.O. Box N-7759, Lyford Cay, Nassau, Bahamas. Its principal activity is investment management.

TAML is regulated by the United States Securities and Exchange Commission, the Hong Kong Securities and Futures Commission and the Monetary Authority of Singapore.

The Investment Advisers' principal activity is investment management, and TAML also markets and distributes collective investment schemes in Singapore. The agreements between the Company, the ACD and the Investment Advisers may be terminated at any time on the giving of three months' notice. The Investment Advisers are associates of the ACD by virtue of being a body corporate in a group in which the ACD is a member.

The investment objectives and policies of each Fund can be found in the further information section on pages 144-155.

## SIGNIFICANT EVENTS

For the period 1st April 2021 – 30th September 2021 the following important changes were made to the Prospectus and Instrument of Incorporation (where applicable):

- Change of name of Templeton Growth Fund to FTF Templeton Global Leaders Fund, effective 1 April 2021.
- FTF Templeton Global Leaders Fund -various changes to the investment objective and policy of the Fund, including a change of target benchmark and management fee reduction, effective 1 April 2021.
- FTF Templeton Global Emerging Market Fund - a change to investment objective to include a target benchmark, effective 1 April 2021.
- FTF Franklin US Opportunities Fund - various changes to the investment objective and policy of the Fund, including to remove a target benchmark, effective 1 April 2021.
- With the exception Franklin Mutual Shares Fund, the Funds names were updated to include the prefix "FTF", effective 7 August 2021.
- FTF Templeton Global Total Return Bond Fund - reduction in the annual management charge applicable to the W share classes, effective 13 September 2021.
- In all Funds, class A & Z shares were closed and all Shareholders in these classes were converted into Class W, effective 13 September 2021.

## ACD's AUTHORISATION

This Semi-Annual Report has been approved by the ACD for issue to Shareholders and has been signed in accordance with the requirements of the FCA's Collective Investment Schemes Sourcebook ("COLL").

### William Jackson

Director, Franklin Templeton Fund Management Limited, Authorised Corporate Director of the Company  
30 November 2021

## Statement of Authorised Corporate Director's Responsibilities

The Open-Ended Investment Companies Regulations 2001 and COLL require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Company and of net income/expenditure and the net gains/losses on the property of the Company for the period. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and then apply them consistently;
- make adjustments and estimates that are reasonable and prudent;
- conform with the disclosure requirements of the Statement of Recommended Practice of Authorised Funds issued by the Investment Management Association in May 2014;
- comply with the disclosure requirements of the Prospectus and Instrument of Incorporation;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- take reasonable steps for the prevention and detection of fraud and non-compliance with law or regulations.

The Authorised Corporate Director is responsible for the management of the Company in accordance with its Prospectus.

In accordance with rules of the Financial Conduct Authority, the Authorised Corporate Director has performed a detailed assessment of whether the Funds provide value to investors. The outcome of this assessment is included in a separate composite report which is published on our website and is clearly signposted.

## Accounting Policies

The interim financial statements have been prepared in accordance with FRS102 as modified by the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014.

The Statement of Recommended Practice for Authorised Funds (SORP) was updated by the Investment Management Association in May 2014 with limited scope amendments issued in June 2017. Therefore, this interim report has been prepared in the line with the latest SORP.

## Comparative Table, 30 September 2021

## Franklin Mutual Shares Fund

Franklin Mutual Shares Fund ceased trading on 31 January 2020.

A – Accumulation shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	268.94	247.29
Return before operating charges <sup>1</sup>	–	–	n/a	26.34
Operating charges <sup>2</sup>	–	–	–	(4.69)
Return after operating charges <sup>3</sup>	–	–	n/a	21.65
Closing net asset value per share	–	–	–	268.94
Distributions	–	–	(3.35)	(1.04)
Retained distributions on accumulation shares	–	–	0.36	1.04
After direct transaction costs of <sup>4</sup>	–	–	0.14	0.05

**Performance**

Return after charges <sup>5</sup>	–	–	n/a	8.75%
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**Other information**

Closing net asset value (£)	–	–	174	1,322,851
Closing number of shares	–	–	–	491,883
Operating charges ratio <sup>6</sup>	–	–	–	1.75%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%

**Prices (p)**

Highest share price	–	–	307.40	288.42
Lowest share price	–	–	–	242.29

A – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	252.41	232.99
Return before operating charges <sup>1</sup>	–	–	n/a	24.82
Operating charges <sup>2</sup>	–	–	–	(4.42)
Return after operating charges <sup>3</sup>	–	–	n/a	20.40
Distributions	–	–	(3.38)	(0.98)
Closing net asset value per share	–	–	–	252.41
After direct transaction costs of <sup>4</sup>	–	–	0.14	0.05

**Performance**

Return after charges <sup>5</sup>	–	–	n/a	8.76%
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**Other information**

Closing net asset value (£)	–	–	32	497,556
Closing number of shares	–	–	–	197,118
Operating charges ratio <sup>6</sup>	–	–	–	1.75%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%

**Prices (p)**

Highest share price	–	–	288.17	271.75
Lowest share price	–	–	–	228.28



## Franklin Mutual Shares Fund (continued)

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>I – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	300.19	274.10
Return before operating charges <sup>1</sup>	–	–	n/a	29.22
Operating charges <sup>2</sup>	–	–	–	(3.13)
Return after operating charges <sup>3</sup>	–	–	n/a	26.09
Closing net asset value per share	–	–	–	300.19
Distributions	–	–	(18.56)	(3.31)
Retained distributions on accumulation shares	–	–	18.56	3.31
After direct transaction costs of <sup>4</sup>	–	–	0.16	0.06
<b>Performance</b>				
Return after charges <sup>5</sup>	–	–	n/a	9.52%
<b>Other information</b>				
Closing net asset value (£)	–	–	–	66,065
Closing number of shares	–	–	–	22,008
Operating charges ratio <sup>6</sup>	–	–	–	1.05%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%
<b>Prices (p)</b>				
Highest share price	–	–	345.28	320.61
Lowest share price	–	–	–	268.58

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	229.39	209.36
Return before operating charges <sup>1</sup>	–	–	n/a	22.31
Operating charges <sup>2</sup>	–	–	–	(2.28)
Return after operating charges <sup>3</sup>	–	–	n/a	20.03
Closing net asset value per share	–	–	–	229.39
Distributions	–	–	(4.61)	(2.60)
Retained distributions on accumulation shares	–	–	0.77	2.60
After direct transaction costs of <sup>4</sup>	–	–	0.12	0.05
<b>Performance</b>				
Return after charges <sup>5</sup>	–	–	n/a	9.57%
<b>Other information</b>				
Closing net asset value (£)	–	–	126	4,699,917
Closing number of shares	–	–	–	2,048,846
Operating charges ratio <sup>6</sup>	–	–	–	1.00%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%
<b>Prices (p)</b>				
Highest share price	–	–	263.76	244.92
Lowest share price	–	–	–	205.14

**Franklin Mutual Shares Fund** (continued)

<b>Y – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	150.72	139.08
Return before operating charges <sup>1</sup>	–	–	n/a	14.88
Operating charges <sup>2</sup>	–	–	–	(0.30)
Return after operating charges <sup>3</sup>	–	–	n/a	14.58
Distributions	–	–	(4.17)	(2.94)
Closing net asset value per share	–	–	–	150.72
After direct transaction costs of <sup>4</sup>	–	–	0.08	0.03

**Performance**

Return after charges <sup>5</sup>	–	–	n/a	10.48%
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**Other information**

Closing net asset value (£)	–	–	1	4,480
Closing number of shares	–	–	–	2,972
Operating charges ratio <sup>6</sup>	–	–	–	0.20%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%

**Prices (p)**

Highest share price	–	–	173.30	163.25
Lowest share price	–	–	–	136.28

<b>Z – Accumulation shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	226.30	206.95
Return before operating charges <sup>1</sup>	–	–	n/a	22.05
Operating charges <sup>2</sup>	–	–	–	(2.70)
Return after operating charges <sup>3</sup>	–	–	n/a	19.35
Closing net asset value per share	–	–	–	226.30
Distributions	–	–	(4.22)	(2.11)
Retained distributions on accumulation shares	–	–	0.63	2.11
After direct transaction costs of <sup>4</sup>	–	–	0.12	0.05

**Performance**

Return after charges <sup>5</sup>	–	–	n/a	9.35%
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**Other information**

Closing net asset value (£)	–	–	2	151,628
Closing number of shares	–	–	–	67,003
Operating charges ratio <sup>6</sup>	–	–	–	1.20%
Direct transaction costs <sup>4</sup>	–	–	0.05%	0.02%

**Prices (p)**

Highest share price	–	–	259.80	241.90
Lowest share price	–	–	–	202.78

**Franklin Mutual Shares Fund** (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

## Portfolio of Investments, 30 September 2021

## Franklin Mutual Shares Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>BONDS 0.00% (0.00%)</b>		
	<b>NORTH AMERICA 0.00% (0.00%)</b>		
	<b>UNITED STATES</b>		
102,000	Walter Energy Inc., Escrow Account <sup>‡</sup> #	—	0.00
	<b>TOTAL - NORTH AMERICA</b>	<b>—</b>	<b>0.00</b>
	<b>TOTAL - BONDS</b>	<b>—</b>	<b>0.00</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>—</b>	<b>0.00</b>
	<b>OTHER ASSETS</b>	<b>—</b>	<b>0.00</b>
	<b>TOTAL NET ASSETS</b>	<b>—</b>	<b>0.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings

<sup>€</sup> These securities are fair valued by the manager.

<sup>‡</sup> These securities are currently in an escrow position. An escrow account is an account established to hold monies pledged and to be used solely for a designed purpose, typically to pay debt service or an outstanding issue in an advance refunding.

<sup>#</sup> Traded on an alternative investment market.

## Franklin Mutual Shares Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		3		–
Revenue	–		–	
Expenses	–		–	
Net revenue before taxation	–		–	
Taxation	–		–	
Net revenue after taxation		–		–
<b>Total return before distributions for the period</b>		<b>3</b>		<b>–</b>
Distributions		–		–
<b>Change in net assets attributable to shareholders</b>		<b>3</b>		<b>–</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>–</b>		<b>–</b>
Amounts received on creation of shares	–		–	
Amounts paid on cancellation of shares	–		–	
		–		–
Change in net assets attributable to shareholders from investment activities (see above)		3		–
Retained distribution on accumulation shares		–		–
Change in provision for fund closure		(3)		
<b>Closing net assets attributable to shareholders</b>		<b>–</b>		<b>–</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Current assets		
Cash and bank balances	4	1
<b>Total assets</b>	<b>4</b>	<b>1</b>
<b>Liabilities</b>		
Creditors		
Other creditors	(4)	(1)
<b>Total liabilities</b>	<b>(4)</b>	<b>(1)</b>
<b>Net assets attributable to shareholders</b>	<b>–</b>	<b>–</b>

# Investment Review

## Performance

For the six months to 30 September 2021, FTF Franklin Sterling Corporate Bond Fund (W(acc) shares) returned 0.98%, compared to the Markit iBoxx GBP Non-Gilts Index, which returned 0.71% (both returns in UK sterling).

## Overview

Amid robust investor appetite for risk, UK corporate bonds registered small positive returns over the period under review, outperforming their government counterparts.

Data released in April showed that the UK economy had returned to growth in February, up 0.4% month-on-month, after a fall of 2.2% in January. Moreover, in early May, the Bank of England ("BoE") raised its economic growth forecast for 2021 from 5% to 7.5%, driven by expectations of higher consumer spending. However, despite the possibility of an overshoot later in the year, the BoE stated that it believed inflation would remain under control. At the end of the second quarter, estimates suggested that the UK economy had shrunk quarter-on-quarter in the first three months of 2021. Even so, the BoE stated that it believed inflation would move above its target level of 2% later in the year. Against this backdrop, UK corporate bonds posted positive returns in the second quarter of 2021, matching the performance of UK Gilts.

At their meeting in early August, BoE policymakers voted unanimously to maintain the central bank's current policies. However, in the wake of two months of higher-than-anticipated readings, the BoE raised its inflation forecasts higher, with prices expected to grow, albeit temporarily, by 4% in the fourth quarter of this year. Gross domestic product data released in August showed that the UK economy had recovered, with growth of 4.8% quarter-on-quarter during the second quarter of the year. Meanwhile, inflation eased slightly, with data showing a 2% broad increase in consumer prices, relative to 2.5% for the prior month. Even so, the BoE said during the month that it expected inflation to peak at 4% later this year, with some modest tightening of monetary policy likely. A turbulent September saw COVID-19 headlines fade into the background, as fiscal policy and supply-chain issues made the headlines, along with continuing fears over inflation. Despite this, the BoE maintained its key monetary policies, although it also warned that inflation could rise above 4%, double its target level, owing largely to rising oil prices. In the markets, UK corporate bonds were down almost 1% in the third quarter of the year, although they fared better than UK Gilts, which fell nearly 2%.

## Significant Changes

The top purchases made by the Fund during the period were BNP Paribas Variable 05/24/2031, Investec Variable 01/04/2032, Credit Suisse 1.125% 12/15/2025, BNP Paribas 2% 09/13/2036 and Encore Capital Group 4.25% 06/01/2028.

Conversely, the top sales during the period were BNP Paribas 3.375% 01/23/2026, Royal Bank of Canada 1.125% 12/15/2025, Landesbank Baden-Wuerttemberg 1.5% 02/03/2025 and Legal & General Group Variable 11/01/2050.

## Positive/Negative Contributors

The Fund's security selection and sector allocation added to relative performance, helped most by positioning in government-related bonds. A non-benchmark allocation to corporate high-yield financial bonds and selection in corporate investment-grade industrial issues also added relative value. However, an overweight position in corporate investment-grade financial bonds weighed slightly on relative results.

The Fund's duration and yield-curve positioning in UK bonds further bolstered relative returns.

In contrast, the Fund's local market allocation detracted marginally from relative results, particularly an overweight allocation to the underperforming eurozone market.

## Outlook

The UK continues to recover well from the pandemic, though we believe Brexit-related trade issues are likely to linger. Nevertheless, trade deals are being reached between the UK and the rest of the world, and we think the UK economy should continue to prosper. However, rising inflation and recent supply-side issues remain matters of concern. Meanwhile, investors must ultimately factor in an end to government COVID-19 support. Given rising growth and inflation trends globally, continued central bank accommodation at such high levels could be hard to justify, in our opinion, and we believe the BoE will be forced to rein in its monetary policy soon.

**David Zahn, CFA**

*Fund Manager*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin Sterling Corporate Bond Fund

W – Accumulation shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	116.37	106.63	106.58	102.98
Return before operating charges <sup>1</sup>	1.46	10.26	0.55	4.06
Operating charges <sup>2</sup>	(0.27)	(0.52)	(0.50)	(0.46)
Return after operating charges <sup>3</sup>	1.19	9.74	0.05	3.60
Closing net asset value per share	117.56	116.37	106.63	106.58
Distributions	(1.49)	(2.99)	(2.82)	(2.71)
Retained distributions on accumulation shares	1.49	2.99	2.82	2.71
After direct transaction costs of <sup>4</sup>	–	–	–	–

**Performance**

Return after charges <sup>5</sup>	1.02%	9.13%	0.05%	3.50%
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**Other information**

Closing net asset value (£)	45,426,845	45,607,579	41,190,193	45,359,206
Closing number of shares	38,641,622	39,190,429	38,629,714	42,558,804
Operating charges ratio <sup>6</sup>	0.45%	0.45%	0.45%	0.45%
Direct transaction costs <sup>4</sup>	–	–	–	–

**Prices (p)**

Highest share price	120.34	121.95	116.23	106.84
Lowest share price	116.65	107.89	100.91	101.40

W – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	104.45	98.18	100.72	99.99
Return before operating charges <sup>1</sup>	1.29	9.46	0.56	3.79
Operating charges <sup>2</sup>	(0.26)	(0.47)	(0.47)	(0.45)
Return after operating charges <sup>3</sup>	1.03	8.99	0.09	3.34
Distributions	(1.32)	(2.72)	(2.63)	(2.61)
Closing net asset value per share	104.16	104.45	98.18	100.72
After direct transaction costs of <sup>4</sup>	–	–	–	–

**Performance**

Return after charges <sup>5</sup>	0.99%	9.16%	0.09%	3.34%
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**Other information**

Closing net asset value (£)	4,165	4,177	3,926	4,027
Closing number of shares	3,998	3,998	3,998	3,998
Operating charges ratio <sup>6</sup>	0.45%	0.45%	0.45%	0.45%
Direct transaction costs <sup>4</sup>	–	–	–	–

**Prices (p)**

Highest share price	107.31	110.63	107.73	101.61
Lowest share price	104.69	99.34	93.54	97.12

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.



**FTF Franklin Sterling Corporate Bond Fund** (continued)

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**



This indicator, disclosed in the Key Investor Information Document (“KIID”), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the “Risk Factors” section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin Sterling Corporate Bond Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 0.37% (0.34%)</b>		
	<b>UNITED KINGDOM 0.37% (0.34%)</b>		
100,000	Lloyds Banking Group plc Preference 9.25%	168	0.37
	<b>TOTAL - UNITED KINGDOM</b>	<b>168</b>	<b>0.37</b>
	<b>TOTAL - EQUITIES</b>	<b>168</b>	<b>0.37</b>
	<b>BONDS 93.62% (92.70%)</b>		
	<b>AUSTRALASIA 2.04% (2.05%)</b>		
	<b>AUSTRALIA</b>		
400,000	Glencore Finance Europe Ltd., Reg S, 3.125%, 03/26/2026	423	0.93
500,000	Toyota Finance Australia Ltd., Reg S, 1.625%, 07/11/2022	505	1.11
	<b>TOTAL - AUSTRALASIA</b>	<b>928</b>	<b>2.04</b>
	<b>CENTRAL AMERICA 2.18% (2.17%)</b>		
	<b>MEXICO</b>		
425,000	America Movil SAB de CV, 5.750%, 06/28/2030	550	1.21
400,000	Mexico Government Bond, 5.625%, 03/19/2114	440	0.97
	<b>TOTAL - CENTRAL AMERICA</b>	<b>990</b>	<b>2.18</b>
	<b>EUROPE - NON EU 2.44% (1.57%)</b>		
	<b>NORWAY</b>		
300,000	DNB Bank ASA, Reg S, 1.375%, 06/12/2023	304	0.67
	<b>SWITZERLAND</b>		
400,000	Credit Suisse AG, Reg S, 1.125%, 12/15/2025	396	0.87
400,000	Credit Suisse Group AG, Reg S, FRN, 2.125%, 09/12/2025	407	0.90
	<b>TOTAL - EUROPE - NON EU</b>	<b>803</b>	<b>1.77</b>
	<b>EUROPE - OTHER EU 28.11% (27.84%)</b>	<b>1,107</b>	<b>2.44</b>
	<b>BELGIUM</b>		
400,000	Anheuser-Busch InBev SA/NV, Reg S, 4.000%, 09/24/2025	445	0.98
300,000	Belgium Government Bond, Reg S, 5.700%, 05/28/2032	422	0.93
	<b>DENMARK</b>	<b>867</b>	<b>1.91</b>
200,000	Orsted A/S, Reg S, 4.875%, 01/12/2032	258	0.57
	<b>FRANCE</b>		
400,000	AXA SA, Reg S, FRN, 5.453% Perpetual	463	1.02
400,000	Banque Federative du Credit Mutuel SA, Reg S, 1.250%, 12/05/2025	401	0.88
400,000	BNP Paribas SA, Reg S, 2.000%, 09/13/2036	381	0.84
600,000	BNP Paribas SA, Reg S, FRN, 2.000%, 05/24/2031	600	1.32
400,000	Electricite de France SA, 5.875%, 07/18/2031	535	1.18
400,000	Electricite de France SA, Reg S, 5.500%, 10/17/2041	576	1.27
100,000	Electricite de France SA, Reg S, 6.000%, 01/23/2114	171	0.38
300,000	Electricite de France SA, Reg S, FRN, 5.875% Perpetual	339	0.75
300,000	Orange SA, Reg S, 8.125%, 11/20/2028	430	0.95
500,000	TotalEnergies Capital International SA, Reg S, 1.750%, 07/07/2025	513	1.13

## FTF Franklin Sterling Corporate Bond Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>FRANCE (continued)</b>		
300,000	Westfield America Management Ltd., Reg S, REIT, 2.625%, 03/30/2029	305	0.67
		<b>4,714</b>	<b>10.39</b>
	<b>GERMANY</b>		
200,000	ADLER Real Estate AG, Reg S, 3.000%, 04/27/2026	151	0.33
300,000	Aroundtown SA, Reg S, 3.000%, 10/16/2029	319	0.70
300,000	Aroundtown SA, Reg S, FRN, 4.750% Perpetual	317	0.70
400,000	Deutsche Bank AG, Reg S, FRN, 1.875%, 12/22/2028	396	0.87
300,000	Deutsche Telekom International Finance BV, 8.875%, 11/27/2028	443	0.97
350,000	E.ON International Finance BV, Reg S, 6.250%, 06/03/2030	466	1.03
		<b>2,092</b>	<b>4.60</b>
	<b>IRELAND</b>		
500,000	ESB Finance DAC, Reg S, 1.875%, 07/21/2035	497	1.09
100,000	Ulster Bank Ireland DAC, 11.750% Perpetual	172	0.38
		<b>669</b>	<b>1.47</b>
	<b>ITALY</b>		
500,000	Enel Finance International NV, Reg S, 1.000%, 10/20/2027	487	1.07
200,000	Intesa Sanpaolo SpA, Reg S, 5.148%, 06/10/2030	225	0.50
500,000	Italy Government Bond, Reg S, 6.000%, 08/04/2028	633	1.39
		<b>1,345</b>	<b>2.96</b>
	<b>LUXEMBOURG</b>		
300,000	Vivion Investments Sarl, Reg S, 3.500%, 11/01/2025	256	0.56
	<b>NETHERLANDS</b>		
400,000	Cooperatieve Rabobank UA, Reg S, 4.625%, 05/23/2029	469	1.03
400,000	ING Groep NV, Reg S, FRN, 1.125%, 12/07/2028	388	0.85
400,000	Shell International Finance BV, Reg S, 1.750%, 09/10/2052	332	0.73
		<b>1,189</b>	<b>2.61</b>
	<b>SPAIN</b>		
550,000	Iberdrola Finanzas SA, 7.375%, 01/29/2024	632	1.39
400,000	Telefonica Emisiones SA, Reg S, 5.375%, 02/02/2026	466	1.03
		<b>1,098</b>	<b>2.42</b>
	<b>SWEDEN</b>		
320,000	Samhallsbyggnadsbolaget i Norden AB, Reg S, 1.000%, 08/12/2027	280	0.62
	<b>TOTAL - EUROPE - OTHER EU</b>	<b>12,768</b>	<b>28.11</b>
	<b>MIDDLE EAST 0.55% (0.55%)</b>		
	<b>UNITED ARAB EMIRATES</b>		
250,000	First Abu Dhabi Bank PJSC, Reg S, 1.375%, 02/19/2023	252	0.55
	<b>TOTAL - MIDDLE EAST</b>	<b>252</b>	<b>0.55</b>
	<b>NORTH AMERICA 18.61% (19.11%)</b>		
	<b>UNITED STATES</b>		
500,000	American International Group, Inc., Reg S, 5.000%, 04/26/2023	533	1.17
300,000	Amgen, Inc., Reg S, 5.500%, 12/07/2026	364	0.80
500,000	Apple, Inc., 3.050%, 07/31/2029	566	1.25
400,000	AT&T, Inc., 2.900%, 12/04/2026	427	0.94
500,000	Berkshire Hathaway Finance Corp., 2.625%, 06/19/2059	553	1.22
500,000	Citigroup, Inc., Reg S, 5.150%, 05/21/2026	585	1.29
500,000	Comcast Corp., 1.875%, 02/20/2036	485	1.07

**FTF Franklin Sterling Corporate Bond Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>UNITED STATES (continued)</b>			
300,000	Encore Capital Group, Inc., 5.375%, 02/15/2026	315	0.69
200,000	Encore Capital Group, Inc., 4.250%, 06/01/2028	200	0.44
300,000	Fiserv, Inc., 3.000%, 07/01/2031	325	0.72
400,000	Goldman Sachs Group, Inc. (The), Reg S, 4.250%, 01/29/2026	448	0.99
200,000	Goldman Sachs Group, Inc. (The), 6.875%, 01/18/2038	307	0.68
180,000	HJ Heinz Finance UK plc, 6.250%, 02/18/2030	229	0.50
500,000	MetLife, Inc., Reg S, 5.375%, 12/09/2024	569	1.25
300,000	Mondelez International, Inc., 4.500%, 12/03/2035	371	0.82
100,000	MPT Operating Partnership LP, REIT, 2.550%, 12/05/2023	103	0.23
200,000	MPT Operating Partnership LP, REIT, 2.500%, 03/24/2026	203	0.45
225,000	Time Warner Cable LLC, 5.750%, 06/02/2031	285	0.63
500,000	Verizon Communications, Inc., 4.750%, 02/17/2034	640	1.41
300,000	Walmart, Inc., Reg S, 4.875%, 01/19/2039	435	0.96
450,000	Wells Fargo & Co., Reg S, 3.500%, 09/12/2029	502	1.10
		<b>8,445</b>	<b>18.61</b>
<b>TOTAL - NORTH AMERICA</b>		<b>8,445</b>	<b>18.61</b>
<b>UNITED KINGDOM 39.69% (39.41%)</b>			
300,000	Barclays plc, 3.250%, 01/17/2033	326	0.72
300,000	Barclays plc, Reg S, FRN, 2.375%, 10/06/2023	305	0.67
500,000	Bazalgette Finance plc, Reg S, 2.375%, 11/29/2027	528	1.16
100,000	BG Energy Capital plc, Reg S, 5.000%, 11/04/2036	135	0.30
500,000	BP Capital Markets plc, Reg S, FRN, 4.250% Perpetual	531	1.17
100,000	BUPA Finance plc, Reg S, 5.000%, 04/25/2023	106	0.23
700,000	Cadent Finance plc, Reg S, FRN, 2.750%, 09/22/2046	708	1.56
300,000	CK Hutchison Group Telecom Finance SA, Reg S, 2.625%, 10/17/2034	303	0.67
200,000	Compass Group plc, Reg S, 2.000%, 09/05/2025	207	0.46
200,000	Co-Operative Group Ltd., Reg S, 5.125%, 05/17/2024	212	0.47
500,000	Diageo Finance plc, Reg S, 1.750%, 10/12/2026	517	1.14
600,000	DWR Cymru Financing UK plc, Reg S, 2.500%, 03/31/2036	643	1.42
300,000	Experian Finance plc, Reg S, 3.250%, 04/07/2032	335	0.74
100,000	Galaxy Bidco Ltd., Reg S, 6.500%, 07/31/2026	105	0.23
400,000	Gatwick Funding Ltd., Reg S, 4.625%, 03/27/2036	469	1.03
400,000	GlaxoSmithKline Capital plc, Reg S, 3.375%, 12/20/2027	449	0.99
200,000	GlaxoSmithKline Capital plc, Reg S, 1.625%, 05/12/2035	191	0.42
100,000	GlaxoSmithKline Capital plc, Reg S, 5.250%, 04/10/2042	151	0.33
500,000	Heathrow Funding Ltd., Reg S, 5.875%, 05/13/2043	715	1.57
200,000	HSBC Bank plc, Reg S, 6.250%, 01/30/2041	300	0.66
200,000	HSBC Holdings plc, Reg S, 6.000%, 03/29/2040	274	0.60
400,000	HSBC Holdings plc, Reg S, FRN, 2.256%, 11/13/2026	410	0.90
400,000	Hutchison Whampoa Finance UK plc, Reg S, 5.625%, 11/24/2026	485	1.07
200,000	Iceland Bondco plc, Reg S, 4.375%, 05/15/2028	178	0.39
600,000	Investec plc, Reg S, 2.625%, 04/10/2026	598	1.32
400,000	Lloyds Bank plc, Reg S, 7.625%, 04/22/2025	487	1.07
400,000	Lloyds Banking Group plc, 5.125% Perpetual	420	0.92
500,000	London Power Networks plc, Reg S, 6.125%, 06/07/2027	628	1.38
400,000	M&G plc, Reg S, FRN, 5.625%, 10/20/2051	473	1.04
500,000	Motability Operations Group plc, Reg S, 2.375%, 03/14/2032	528	1.16

## FTF Franklin Sterling Corporate Bond Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>UNITED KINGDOM (continued)</b>			
400,000	National Grid Electricity Transmission plc, Reg S, 2.000%, 04/17/2040	382	0.84
200,000	Nationwide Building Society, 5.875% Perpetual	218	0.48
300,000	NatWest Group plc, Reg S, FRN, 3.125%, 03/28/2027	319	0.70
400,000	NatWest Group plc, Reg S, FRN, 3.622%, 08/14/2030	423	0.93
470,000	Northern Powergrid Holdings Co., 7.250%, 12/15/2022	506	1.11
400,000	Pension Insurance Corp. plc, Reg S, 5.625%, 09/20/2030	483	1.06
200,000	Pinewood Finance Co. Ltd., 3.250%, 09/30/2025	202	0.44
500,000	Skipton Building Society, Reg S, FRN, 2.000%, 10/02/2026	508	1.12
300,000	Sky Ltd., Reg S, 4.000%, 11/26/2029	351	0.77
300,000	Southern Water Services Finance Ltd., Reg S, 3.000%, 05/28/2037	321	0.71
400,000	Tesco Corporate Treasury Services plc, Reg S, 2.750%, 04/27/2030	420	0.92
135,000	Tesco plc, FRN, 5.728%, 11/05/2025	290	0.64
450,000	UK Treasury, Reg S, 3.500%, 01/22/2045	642	1.41
100,000	UK Treasury, Reg S, 1.625%, 10/22/2071	118	0.26
300,000	Vmed O2 UK Financing I plc, Reg S, 4.000%, 01/31/2029	303	0.67
600,000	Western Power Distribution East Midlands plc, Reg S, 5.250%, 01/17/2023	634	1.40
200,000	Whitbread Group plc, Reg S, 3.000%, 05/31/2031	202	0.44
<b>TOTAL - UNITED KINGDOM</b>		<b>18,039</b>	<b>39.69</b>
<b>TOTAL - BONDS</b>		<b>42,529</b>	<b>93.62</b>
<b>DERIVATIVES 0.25% (0.05%)</b>			
<b>FORWARDS CURRENCY CONTRACTS</b>			
	Buy GBP 664,156 sell EUR 775,000 dated 13/10/2021	(3)	(0.01)
<b>FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS</b>		<b>(3)</b>	<b>(0.01)</b>
<b>FUTURES</b>			
(39)	Long Gilt Bond, 29/12/2021	120	0.26
		<b>120</b>	<b>0.26</b>
<b>TOTAL - DERIVATIVES</b>		<b>117</b>	<b>0.25</b>
<b>TOTAL VALUE OF INVESTMENTS</b>		<b>42,814</b>	<b>94.24</b>
<b>OTHER ASSETS</b>		<b>2,617</b>	<b>5.76</b>
<b>TOTAL NET ASSETS</b>		<b>45,431</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

## FTF Franklin Sterling Corporate Bond Fund

**Statement of Total Return**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital (losses)/gains		(6)		3,545
Revenue	580		574	
Expenses	(104)		(101)	
Net revenue before taxation	476		473	
Taxation	(1)		–	
Net revenue after taxation		475		473
<b>Total return before distributions for the period</b>		<b>469</b>		<b>4,018</b>
Distributions		(578)		(574)
<b>Change in net assets attributable to shareholders</b>		<b>(109)</b>		<b>3,444</b>

**Statement of Change in Net Assets Attributable to Shareholders**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>45,612</b>		<b>41,194</b>
Amounts received on creation of shares	2,012		2,973	
Amounts paid on cancellation of shares	(2,664)		(3,568)	
		(652)		(595)
Change in net assets attributable to shareholders from investment activities (see above)		(109)		3,444
Retained distribution on accumulation shares		580		576
<b>Closing net assets attributable to shareholders</b>		<b>45,431</b>		<b>44,619</b>

**Balance sheet**

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	42,817	42,470
Current assets		
Debtors	674	619
Cash and bank balances	2,588	2,650
<b>Total assets</b>	<b>46,079</b>	<b>45,739</b>
<b>Liabilities</b>		
Investment liabilities	(3)	(9)
Creditors		
Other creditors	(645)	(118)
<b>Total liabilities</b>	<b>(648)</b>	<b>(127)</b>
<b>Net assets attributable to shareholders</b>	<b>45,431</b>	<b>45,612</b>

## FTF Franklin Sterling Corporate Bond Fund

## Distribution Statement

**For the period 1 April 2021 to 30 June 2021**

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 June 2021

	Net Income p	Equalisation p	30 June 2021 Pence per Share p	30 June 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.7484	—	0.7484	0.7459
Group 2	0.1104	0.6380	0.7484	0.7459
W Income Shares				
Group 1	0.6623	—	0.6623	0.6868
Group 2	0.6623	—	0.6623	0.6868

**For the period 1 July 2021 to 30 September 2021**

Group 1 Shares purchased prior to 1 July 2021

Group 2 Shares purchased in the period 1 July 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.7460	—	0.7460	0.7255
Group 2	0.1422	0.6038	0.7460	0.7255
W Income Shares				
Group 1	0.6590	—	0.6590	0.6633
Group 2	0.6590	—	0.6590	0.6633

**Equalisation**

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

# Investment Review

## Performance

In the six months to 30 September 2021, FTF Franklin UK Equity Income Fund (W(acc) shares) made a net return of 7.11%, underperforming the FTSE All-Share Index, which returned 7.95%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review.

## Significant Changes

Top purchases over the period included DCC, Associated British Foods, Unilever, Smith & Nephew and Tesco.

We initiated a position in distribution business DCC, which was trading at what we felt were attractive valuation levels. We believed that the management had the skill to steer the business through difficult conditions in several key end markets, such as liquid petroleum gas (LPG) distribution and marketing. Furthermore, we think DCC has significant opportunities for merger and acquisition activity.

Top sales included HSBC Holdings, Derwent London (REIT), Victrex, Brewin Dolphin Holdings and IMI.

We sold out of banking group HSBC, as we backed our view that expectations for profitability in the sector had moved too far ahead. We also sold out of specialty chemicals company Victrex. Although we view this as a high-quality business, we had concerns over some of the key end markets, such as the automotive industry, and in our opinion the forward-looking yield on the shares (for an income-focused fund) did not compensate for the heightened levels of risk.



## Positive/Negative Contributors

At the sector level, stock selection in basic resources, food, beverage and tobacco, and health care weighed on relative returns. In contrast, lack of exposure to travel and leisure, and an underweight allocation to banks boosted relative performance, as did stock selection in and an overweight exposure to the outperforming energy sector.

Retailer Associated British Foods was the largest stock-level detractor from relative performance. The company's share price fell almost 23% over the period under review, albeit on no specific news. However, we continue to believe that the sum-of-the-parts valuation of the group exceeds that of its share price, and we find the recent website improvements at Primark to be compelling. Housebuilder Persimmon, whose share price declined nearly 6% over the period under review, was also among the key detractors from relative results. Operationally, the sector has performed well, and Persimmon has adapted well to various material and labour shortages. However, there is wider concern over near-term prospects for the housing market.

Oil giant Royal Dutch Shell, up over 26% over the six-month period, was the top contributor to relative returns. Sentiment around the sector was boosted by rallying oil prices, with the European benchmark Brent contract approaching the US\$80 a barrel mark at the end of September. Recruitment business PageGroup, whose share price rallied over 38% over the period, was also a significant contributor. Financial advisor St James's Place was another leading contributor over the six-month period. The shares rose strongly in the second quarter of 2021, albeit on no particular news, although the company held a well-received investor day outlining a credible plan to reach £200 billion of assets under management by 2025.

## Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of 30 September 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Colin Morton, Ben Russon, CFA & Mark Hall**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Equity Income Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Accumulation shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	201.12	161.03	197.19	184.34
Return before operating charges <sup>2</sup>	(201.12)	41.85	(34.17)	15.88
Operating charges <sup>3</sup>	–	(1.76)	(1.99)	(3.03)
Return after operating charges <sup>4</sup>	(201.12)	40.09	(36.16)	12.85
Closing net asset value per share	–	201.12	161.03	197.19
Distributions	(2.08)	(7.14)	(9.24)	(8.94)
Retained distributions on accumulation shares	2.08	7.14	9.24	8.94
After direct transaction costs of <sup>5</sup>	–	0.27	0.57	0.52

**Performance**

Return after charges <sup>6</sup>	–	24.90%	(18.34%)	6.97%
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**Other information**

Closing net asset value (£)	–	1,138,824	1,116,510	2,005,743
Closing number of shares	–	566,246	693,362	1,017,181
Operating charges ratio <sup>7</sup>	–	0.97%	0.98%	1.57%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%

**Prices (p)**

Highest share price	217.44	200.92	219.92	204.09
Lowest share price	200.53	153.03	140.20	174.34

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Income shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	222.96	185.57	238.35	233.46
Return before operating charges <sup>2</sup>	(220.65)	47.52	(39.45)	19.78
Operating charges <sup>3</sup>	–	(2.02)	(2.34)	(3.76)
Return after operating charges <sup>4</sup>	(220.65)	45.50	(41.79)	16.02
Distributions	(2.31)	(8.11)	(10.99)	(11.13)
Closing net asset value per share	–	222.96	185.57	238.35
After direct transaction costs of <sup>5</sup>	–	0.31	0.67	0.65

**Performance**

Return after charges <sup>6</sup>	–	24.52%	(17.53%)	6.86%
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**Other information**

Closing net asset value (£)	–	30,305,199	27,341,780	33,969,668
Closing number of shares	–	13,592,399	14,733,855	14,252,256
Operating charges ratio <sup>7</sup>	–	0.97%	0.98%	1.57%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%

**Prices (p)**

Highest share price	239.59	225.16	258.54	258.48
Lowest share price	222.30	176.28	163.47	215.40

## FTF Franklin UK Equity Income Fund (continued)

W – Accumulation shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	214.88	171.27	207.97	192.38
Return before operating charges <sup>2</sup>	15.41	44.61	(35.57)	16.64
Operating charges <sup>3</sup>	(0.59)	(1.00)	(1.13)	(1.05)
Return after operating charges <sup>4</sup>	14.82	43.61	(36.70)	15.59
Closing net asset value per share	229.70	214.88	171.27	207.97
Distributions	(5.84)	(8.06)	(9.79)	(9.38)
Retained distributions on accumulation shares	5.84	8.06	9.79	9.38
After direct transaction costs of <sup>5</sup>	0.16	0.29	0.60	0.54
<b>Performance</b>				
Return after charges <sup>6</sup>	6.90%	25.46%	(17.65%)	8.10%
<b>Other information</b>				
Closing net asset value (£)	417,061,432	409,915,272	273,224,700	212,005,719
Closing number of shares	181,564,246	190,767,342	159,524,734	101,942,374
Operating charges ratio <sup>7</sup>	0.52%	0.52%	0.53%	0.52%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%
<b>Prices (p)</b>				
Highest share price	232.78	214.63	233.71	213.31
Lowest share price	214.26	162.78	149.10	183.38

W – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	149.37	124.04	157.97	153.11
Return before operating charges <sup>2</sup>	10.68	31.79	(25.78)	13.02
Operating charges <sup>3</sup>	(0.41)	(0.71)	(0.84)	(0.82)
Return after operating charges <sup>4</sup>	10.27	31.08	(26.62)	12.20
Distributions	(4.03)	(5.75)	(7.31)	(7.34)
Closing net asset value per share	155.61	149.37	124.04	157.97
After direct transaction costs of <sup>5</sup>	0.11	0.21	0.44	0.43
<b>Performance</b>				
Return after charges <sup>6</sup>	6.88%	25.06%	(16.85%)	7.97%
<b>Other information</b>				
Closing net asset value (£)	441,508,049	447,664,948	403,917,677	390,824,579
Closing number of shares	283,730,845	299,708,583	325,624,109	247,410,307
Operating charges ratio <sup>7</sup>	0.52%	0.52%	0.53%	0.52%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%
<b>Prices (p)</b>				
Highest share price	160.67	150.93	172.61	169.76
Lowest share price	148.93	117.84	109.26	142.37

**FTF Franklin UK Equity Income Fund** (continued)

<b>Y – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	112.83	94.42	119.70	115.50
Return before operating charges <sup>2</sup>	8.08	24.10	(19.62)	9.84
Operating charges <sup>3</sup>	(0.01)	(0.02)	(0.04)	(0.02)
Return after operating charges <sup>4</sup>	8.07	24.08	(19.66)	9.82
Distributions	(3.09)	(5.67)	(5.62)	(5.62)
Closing net asset value per share	117.81	112.83	94.42	119.70
After direct transaction costs of <sup>5</sup>	0.08	0.16	0.34	0.32

**Performance**

Return after charges <sup>6</sup>	7.15%	25.50%	(16.42%)	8.50%
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**Other information**

Closing net asset value (£)	3,633	3,479	2,911	3,691
Closing number of shares	3,083	3,083	3,083	3,083
Operating charges ratio <sup>7</sup>	0.02%	0.02%	0.03%	0.02%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%

**Prices (p)**

Highest share price	121.50	114.00	131.26	128.16
Lowest share price	112.51	89.70	83.18	107.77

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	209.14	166.95	203.50	189.19
Return before operating charges <sup>2</sup>	(209.14)	43.43	(35.14)	16.33
Operating charges <sup>3</sup>	–	(1.24)	(1.41)	(2.02)
Return after operating charges <sup>4</sup>	(209.14)	42.19	(36.55)	14.31
Closing net asset value per share	–	209.14	166.95	203.50
Distributions	(2.33)	(7.87)	(9.56)	(9.20)
Retained distributions on accumulation shares	2.33	7.87	9.56	9.20
After direct transaction costs of <sup>5</sup>	–	0.28	0.58	0.53

**Performance**

Return after charges <sup>6</sup>	–	25.27%	(17.96%)	7.56%
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**Other information**

Closing net asset value (£)	–	1,445,815	752,543	698,588
Closing number of shares	–	691,299	450,752	343,293
Operating charges ratio <sup>7</sup>	–	0.67%	0.68%	1.02%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%

**Prices (p)**

Highest share price	226.42	208.91	227.88	209.63
Lowest share price	208.54	158.67	145.35	179.67

## FTF Franklin UK Equity Income Fund (continued)

Z – Income shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	144.31	120.02	153.44	149.46
Return before operating charges <sup>2</sup>	(142.70)	30.75	(25.29)	12.70
Operating charges <sup>3</sup>	–	(0.89)	(1.04)	(1.57)
Return after operating charges <sup>4</sup>	(142.70)	29.86	(26.33)	11.13
Distributions	(1.61)	(5.57)	(7.09)	(7.15)
Closing net asset value per share	–	144.31	120.02	153.44
After direct transaction costs of <sup>5</sup>	–	0.20	0.43	0.42
<b>Performance</b>				
Return after charges <sup>6</sup>	–	24.88%	(17.16%)	7.45%
<b>Other information</b>				
Closing net asset value (£)	–	5,321,214	5,101,039	5,710,348
Closing number of shares	–	3,687,473	4,250,043	3,721,668
Operating charges ratio <sup>7</sup>	–	0.67%	0.68%	1.02%
Direct transaction costs <sup>5</sup>	0.07%	0.15%	0.28%	0.27%
<b>Prices (p)</b>				
Highest share price	155.18	145.82	167.09	165.61
Lowest share price	143.89	114.02	105.72	138.47

- 1 Shares converted to Class W shares on 13 September 2021.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

## Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Equity Income Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 98.21% (97.98%)</b>		
	<b>AEROSPACE AND DEFENSE 1.70% (1.48%)</b>		
2,560,000	BAE Systems plc	14,592	1.70
	<b>BANKS 1.39% (3.22%)</b>		
780,000	Close Brothers Group plc	11,942	1.39
	<b>BEVERAGES 4.15% (4.21%)</b>		
1,260,000	Britvic plc	11,309	1.32
668,000	Diageo plc	24,302	2.83
		<b>35,611</b>	<b>4.15</b>
	<b>CHEMICALS 0.00% (1.26%)</b>		
	<b>CONSUMER SERVICES 1.53% (1.38%)</b>		
846,563	Compass Group plc	13,109	1.53
	<b>ELECTRICITY 2.22% (2.06%)</b>		
1,210,000	SSE plc	19,100	2.22
	<b>ELECTRONIC AND ELECTRICAL EQUIPMENT 1.33% (1.63%)</b>		
685,000	IMI plc	11,419	1.33
	<b>FOOD PRODUCERS 1.74% (1.47%)</b>		
795,000	Associated British Foods plc	14,926	1.74
	<b>GAS, WATER AND MULTI-UTILITIES 2.42% (2.43%)</b>		
2,320,000	National Grid plc	20,785	2.42
	<b>GENERAL INDUSTRIALS 3.01% (3.03%)</b>		
490,000	Bunzl plc	12,088	1.41
950,000	Smiths Group plc	13,751	1.60
		<b>25,839</b>	<b>3.01</b>
	<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.33% (2.62%)</b>		
749,000	Persimmon plc	19,976	2.33
	<b>INDUSTRIAL METALS AND MINING 6.36% (7.28%)</b>		
927,000	BHP Group plc	17,492	2.04
1,340,000	Bodycote plc	11,839	1.38
517,000	Rio Tinto plc	25,211	2.94
		<b>54,542</b>	<b>6.36</b>
	<b>INDUSTRIAL SUPPORT SERVICES 5.13% (3.09%)</b>		
270,000	DCC plc	16,816	1.96
143,000	Ferguson plc	14,979	1.74
1,960,000	Pagegroup plc	12,279	1.43
		<b>44,074</b>	<b>5.13</b>

## FTF Franklin UK Equity Income Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>INVESTMENT BANKING AND BROKERAGE SERVICES 8.77% (9.59%)</b>			
3,125,000	Brewin Dolphin Holdings plc	11,734	1.37
1,465,000	IG Group Holdings plc	11,845	1.38
571,000	Intermediate Capital Group plc	11,700	1.36
6,570,000	M&G plc	13,324	1.55
356,000	Schroders plc	12,848	1.50
915,000	St James's Place plc	13,839	1.61
		<b>75,290</b>	<b>8.77</b>
<b>LIFE INSURANCE 5.37% (5.70%)</b>			
8,150,000	Legal & General Group plc	22,901	2.67
3,595,000	Phoenix Group Holdings plc	23,188	2.70
		<b>46,089</b>	<b>5.37</b>
<b>MEDIA 6.59% (6.21%)</b>			
2,530,000	Informa plc	14,016	1.63
1,110,000	RELX plc	24,198	2.82
1,835,000	WPP plc	18,378	2.14
		<b>56,592</b>	<b>6.59</b>
<b>MEDICAL EQUIPMENT AND SERVICES 1.48% (1.25%)</b>			
980,000	Smith & Nephew plc	12,745	1.48
<b>NON-LIFE INSURANCE 1.55% (1.58%)</b>			
4,625,000	Direct Line Insurance Group plc	13,302	1.55
<b>OIL, GAS AND COAL 9.47% (7.53%)</b>			
9,975,000	BP plc	34,050	3.97
2,840,000	Royal Dutch Shell plc, A	47,224	5.50
		<b>81,274</b>	<b>9.47</b>
<b>PERSONAL CARE, DRUG AND GROCERY STORES 9.57% (8.72%)</b>			
322,000	Reckitt Benckiser Group plc	18,950	2.21
8,600,000	Tesco plc	22,029	2.57
1,015,000	Unilever plc	41,163	4.79
		<b>82,142</b>	<b>9.57</b>
<b>PERSONAL GOODS 1.50% (1.34%)</b>			
710,000	Burberry Group plc	12,922	1.50
<b>PHARMACEUTICALS AND BIOTECHNOLOGY 8.54% (7.39%)</b>			
495,000	AstraZeneca plc	44,263	5.16
2,055,000	GlaxoSmithKline plc	29,058	3.38
		<b>73,321</b>	<b>8.54</b>
<b>REAL ESTATE INVESTMENT TRUSTS 2.74% (4.06%)</b>			
1,690,000	Land Securities Group plc <sup>s</sup>	11,958	1.39
4,750,000	LondonMetric Property plc <sup>s</sup>	11,581	1.35
		<b>23,539</b>	<b>2.74</b>
<b>RETAILERS 1.60% (1.76%)</b>			
167,000	Next plc	13,747	1.60

**FTF Franklin UK Equity Income Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>TELECOMMUNICATIONS SERVICE PROVIDERS 1.65% (1.95%)</b>		
12,400,000	Vodafone Group plc	14,188	1.65
	<b>TOBACCO 6.07% (5.74%)</b>		
1,100,000	British American Tobacco plc	29,287	3.41
1,450,000	Imperial Brands plc	22,866	2.66
		<b>52,153</b>	<b>6.07</b>
	<b>TOTAL - EQUITIES</b>	<b>843,219</b>	<b>98.21</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>843,219</b>	<b>98.21</b>
	<b>OTHER ASSETS</b>	<b>15,354</b>	<b>1.79</b>
	<b>TOTAL NET ASSETS</b>	<b>858,573</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust ("REIT").



## FTF Franklin UK Equity Income Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		38,934		26,705
Revenue	23,304		17,282	
Expenses	(2,381)		(2,172)	
Net revenue before taxation	20,923		15,110	
Taxation	18		(38)	
Net revenue after taxation		20,941		15,072
<b>Total return before distributions for the period</b>		<b>59,875</b>		<b>41,777</b>
Distributions		(22,993)		(16,944)
<b>Change in net assets attributable to shareholders</b>		<b>36,882</b>		<b>24,833</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>895,795</b>		<b>711,457</b>
Amounts received on creation of shares	146,061		220,190	
Amounts paid on cancellation of shares	(230,992)		(167,585)	
		(84,931)		52,605
Dilution adjustments		39		—
Change in net assets attributable to shareholders from investment activities (see above)		36,882		24,833
Retained distribution on accumulation shares		10,788		7,514
<b>Closing net assets attributable to shareholders</b>		<b>858,573</b>		<b>796,409</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	843,219	877,659
Current assets		
Debtors	5,706	9,905
Cash and bank balances	20,347	19,190
<b>Total assets</b>	<b>869,272</b>	<b>906,754</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(6,724)	(5,592)
Other creditors	(3,975)	(5,367)
<b>Total liabilities</b>	<b>(10,699)</b>	<b>(10,959)</b>
<b>Net assets attributable to shareholders</b>	<b>858,573</b>	<b>895,795</b>

## FTF Franklin UK Equity Income Fund

## Distribution Statement

## For the period 1 April 2021 to 30 June 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 June 2021

	Net Income p	Equalisation p	30 June 2021 Pence per Share p	30 June 2020 Pence per Share p
A Accumulation Shares				
Group 1	2.0810	—	2.0810	1.5371
Group 2	0.7373	1.3437	2.0810	1.5371
A Income Shares				
Group 1	2.3100	—	2.3100	1.7731
Group 2	0.4322	1.8778	2.3100	1.7731
W Accumulation Shares				
Group 1	2.3921	—	2.3921	1.6286
Group 2	0.9147	1.4774	2.3921	1.6286
W Income Shares				
Group 1	1.6649	—	1.6649	1.1830
Group 2	0.3536	1.3113	1.6649	1.1830
Y Income Shares				
Group 1	1.2791	—	1.2791	2.1710
Group 2	1.2791	—	1.2791	2.1710
Z Accumulation Shares				
Group 1	2.3279	—	2.3279	1.5979
Group 2	1.3412	0.9867	2.3279	1.5979
Z Income Shares				
Group 1	1.6083	—	1.6083	1.1498
Group 2	0.2079	1.4004	1.6083	1.1498

## For the period 1 July 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 July 2021

Group 2 Shares purchased in the period 1 July 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	1.9978
Group 2	—	—	—	1.9978
A Income Shares <sup>1</sup>				
Group 1	—	—	—	2.2765
Group 2	—	—	—	2.2765
W Accumulation Shares				
Group 1	3.4452	—	3.4452	2.2643
Group 2	1.6856	1.7596	3.4452	2.2643
W Income Shares				
Group 1	2.3700	—	2.3700	1.6256
Group 2	0.5811	1.7889	2.3700	1.6256
Y Income Shares				
Group 1	1.8139	—	1.8139	1.2435
Group 2	1.8139	—	1.8139	1.2435
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	2.2123
Group 2	—	—	—	2.2123

## FTF Franklin UK Equity Income Fund

## Distribution Statement (continued)

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
Z Income Shares <sup>1</sup>				
Group 1	–	–	–	1.5728
Group 2	–	–	–	1.5728

**Equalisation**

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

# Investment Review

## Performance

For the six months to 30 September 2021, FTF Franklin UK Gilt Fund (W(acc) shares) returned 0.16%, compared to the FTSE UK Gilts (All) Government TR Index, which returned -0.17% (both returns in UK sterling).

## Overview

UK Gilts registered small negative returns over the period under review, as robust appetite for risk and the search for yield saw investors favouring non-government issues and equities for much of this time.

Data released in April showed that the UK economy had returned to growth in February, up 0.4% month-on-month, after a fall of 2.2% in January. Moreover, in early May, the Bank of England ("BoE") raised its economic growth forecast for 2021 from 5% to 7.5%, driven by expectations of higher consumer spending. However, despite the possibility of an overshoot later in the year, the BoE stated that it believed inflation would remain under control. At the end of the second quarter, estimates suggested that the UK economy had shrunk quarter-on-quarter in the first three months of 2021. Even so, the BoE stated that it believed inflation would move above its target level of 2% later in the year. Against this backdrop, UK Gilts posted positive returns in the second quarter of 2021.

At their meeting in early August, BoE policymakers voted unanimously to maintain the central bank's current policies. However, in the wake of two months of higher-than-anticipated readings, the BoE raised its inflation forecasts higher, with prices expected to grow, albeit temporarily, by 4% in the fourth quarter of this year. Gross domestic product data released in August showed that the UK economy had recovered, with growth of 4.8% quarter-on-quarter during the second quarter of the year. Meanwhile, inflation eased slightly, with data showing a 2% broad increase in consumer prices, relative to 2.5% for the prior month. Even so, the BoE said during the month that it expected inflation to peak at 4% later this year, with some modest tightening of monetary policy likely. A turbulent September saw COVID-19 headlines fade into the background, as fiscal policy and supply-chain issues made the headlines, along with continuing fears over inflation. Despite this, the BoE maintained its key monetary policies, although it also warned that inflation could rise above 4%, double its target level, owing largely to rising oil prices. In the markets, UK Gilts were down almost 2% in the third quarter of the year.

## Significant Changes

Only one purchase was made by the Fund during the period: UK Treasury Bond 0.875% 7/31/2033.

The Fund made no sales over the period.

## Positive/Negative Contributors

The Fund's duration and yield-curve positioning contributed to relative returns, due to an underweight stance in UK bonds, as rates rose.

The Fund's security selection also added relative value, although this was outweighed by the negative impact of sector allocation. Positioning in bonds of maturities between 1 and 3.5 years weighed most on relative results. In contrast, positioning in bonds of maturities over 25 years, and of maturities between 7.5 and 15 years contributed to relative performance.

## Outlook

The UK continues to recover well from the pandemic, though we believe Brexit-related trade issues are likely to linger. Nevertheless, trade deals are being reached between the UK and the rest of the world, and we think the UK economy should continue to prosper. However, rising inflation and recent supply-side issues remain matters of concern. Meanwhile, investors must ultimately factor in an end to government COVID-19 support. Given rising growth and inflation trends globally, continued central bank accommodation at such high levels could be hard to justify, in our opinion, and we believe the BoE will be forced to rein in its monetary policy soon.

## David Zahn, CFA

*Fund Manager*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Gilt Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	109.57	116.37	106.28	102.86
Return before operating charges <sup>1</sup>	0.36	(6.40)	10.48	3.78
Operating charges <sup>2</sup>	(0.19)	(0.40)	(0.39)	(0.36)
Return after operating charges <sup>3</sup>	0.17	(6.80)	10.09	3.42
Closing net asset value per share	109.74	109.57	116.37	106.28
Distributions	(0.56)	(1.33)	(1.37)	(1.14)
Retained distributions on accumulation shares	0.56	1.33	1.37	1.14
After direct transaction costs of <sup>4</sup>	–	–	–	–

**Performance**

Return after charges <sup>5</sup>	0.16%	(5.84%)	9.49%	3.32%
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**Other information**

Closing net asset value (£)	73,696,166	74,165,883	73,220,057	87,712,370
Closing number of shares	67,155,914	67,689,942	62,920,656	82,531,584
Operating charges ratio <sup>6</sup>	0.34%	0.35%	0.35%	0.35%
Direct transaction costs <sup>4</sup>	–	–	–	–

**Prices (p)**

Highest share price	114.32	120.58	122.17	106.67
Lowest share price	108.71	108.53	103.99	99.91

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Income shares</b>				

**Change in net assets per share (p)**

Opening net asset value per share	104.46	112.24	103.78	101.58
Return before operating charges <sup>1</sup>	0.34	(6.11)	10.17	3.68
Operating charges <sup>2</sup>	(0.18)	(0.38)	(0.38)	(0.35)
Return after operating charges <sup>3</sup>	0.16	(6.49)	9.79	3.33
Distributions	(0.53)	(1.29)	(1.33)	(1.13)
Closing net asset value per share	104.09	104.46	112.24	103.78
After direct transaction costs of <sup>4</sup>	–	–	–	–

**Performance**

Return after charges <sup>5</sup>	0.15%	(5.78%)	9.43%	3.28%
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**Other information**

Closing net asset value (£)	1,291,649	1,194,173	599,816	63,229
Closing number of shares	1,240,842	1,143,153	534,391	60,927
Operating charges ratio <sup>6</sup>	0.34%	0.35%	0.35%	0.35%
Direct transaction costs <sup>4</sup>	–	–	–	–

**Prices (p)**

Highest share price	108.71	116.31	118.18	104.47
Lowest share price	103.64	103.77	101.54	98.14

**FTF Franklin UK Gilt Fund** (continued)

- 1 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 2 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 3 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 4 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 5 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 6 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Gilt Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>BONDS 86.02% (94.59%)</b>		
	<b>CENTRAL AMERICA 1.40% (1.36%)</b>		
	<b>MEXICO</b>		
950,000	Mexico Government Bond, 5.625%, 03/19/2114	1,046	1.40
	<b>TOTAL - CENTRAL AMERICA</b>	<b>1,046</b>	<b>1.40</b>
	<b>UNITED KINGDOM 84.62% (93.23%)</b>		
6,800,000	UK Treasury, Reg S, 4.000%, 03/07/2022	6,916	9.22
2,000,000	UK Treasury, Reg S, 1.750%, 09/07/2022	2,029	2.71
3,000,000	UK Treasury, Reg S, 2.250%, 09/07/2023	3,113	4.15
3,100,000	UK Treasury, Reg S, 2.000%, 09/07/2025	3,282	4.38
3,000,000	UK Treasury, Reg S, 0.125%, 01/30/2026	2,945	3.93
5,000,000	UK Treasury, Reg S, 4.250%, 12/07/2027	6,080	8.11
3,700,000	UK Treasury, Reg S, 1.625%, 10/22/2028	3,925	5.23
2,300,000	UK Treasury, Reg S, 4.750%, 12/07/2030	3,075	4.10
800,000	UK Treasury, Reg S, 0.875%, 07/31/2033	783	1.04
1,700,000	UK Treasury, Reg S, 4.250%, 03/07/2036	2,387	3.18
3,600,000	UK Treasury, Reg S, 4.250%, 12/07/2040	5,392	7.19
3,600,000	UK Treasury, Reg S, 3.250%, 01/22/2044	4,904	6.54
2,200,000	UK Treasury, Reg S, 3.500%, 01/22/2045	3,138	4.18
2,500,000	UK Treasury, Reg S, 4.250%, 12/07/2049	4,200	5.60
1,900,000	UK Treasury, Reg S, 3.750%, 07/22/2052	3,051	4.07
1,100,000	UK Treasury, Reg S, 4.250%, 12/07/2055	1,989	2.65
1,200,000	UK Treasury, Reg S, 4.000%, 01/22/2060	2,196	2.93
1,200,000	UK Treasury, Reg S, 3.500%, 07/22/2068	2,172	2.90
1,600,000	UK Treasury, Reg S, 1.625%, 10/22/2071	1,881	2.51
	<b>TOTAL - UNITED KINGDOM</b>	<b>63,458</b>	<b>84.62</b>
	<b>TOTAL - BONDS</b>	<b>64,504</b>	<b>86.02</b>
	<b>DERIVATIVES 0.27% (0.00%)</b>		
	<b>FUTURES</b>		
(70)	Long Gilt Bond, 29/12/2021	205	0.27
		<b>205</b>	<b>0.27</b>
	<b>TOTAL - DERIVATIVES</b>	<b>205</b>	<b>0.27</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>64,709</b>	<b>86.29</b>
	<b>OTHER ASSETS</b>	<b>10,279</b>	<b>13.71</b>
	<b>TOTAL NET ASSETS</b>	<b>74,988</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

## FTF Franklin UK Gilt Fund

**Statement of Total Return**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital (losses)/gains		(124)		1,008
Revenue	381		450	
Expenses	(130)		(134)	
Net revenue before taxation	251		316	
Net revenue after taxation		251		316
<b>Total return before distributions for the period</b>		<b>127</b>		<b>1,324</b>
Distributions		(382)		(450)
<b>Change in net assets attributable to shareholders</b>		<b>(255)</b>		<b>874</b>

**Statement of Change in Net Assets Attributable to Shareholders**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>75,360</b>		<b>73,820</b>
Amounts received on creation of shares	3,719		9,102	
Amounts paid on cancellation of shares	(4,213)		(5,872)	
		(494)		3,230
Change in net assets attributable to shareholders from investment activities (see above)		(255)		874
Retained distribution on accumulation shares		377		460
<b>Closing net assets attributable to shareholders</b>		<b>74,988</b>		<b>78,384</b>

**Balance sheet**

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	64,709	71,281
Current assets		
Debtors	372	420
Cash and bank balances	9,978	7,858
<b>Total assets</b>	<b>75,059</b>	<b>79,559</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(3)	(3)
Other creditors	(68)	(4,196)
<b>Total liabilities</b>	<b>(71)</b>	<b>(4,199)</b>
<b>Net assets attributable to shareholders</b>	<b>74,988</b>	<b>75,360</b>



## FTF Franklin UK Gilt Fund

## Distribution Statement

**For the period 1 April 2021 to 30 June 2021**

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 June 2021

	Net Income p	Equalisation p	30 June 2021 Pence per Share p	30 June 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.2808	—	0.2808	0.3541
Group 2	0.0376	0.2432	0.2808	0.3541
W Income Shares				
Group 1	0.2677	—	0.2677	0.3414
Group 2	0.1035	0.1642	0.2677	0.3414

**For the period 1 July 2021 to 30 September 2021**

Group 1 Shares purchased prior to 1 July 2021

Group 2 Shares purchased in the period 1 July 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
W Accumulation Shares				
Group 1	0.2778	—	0.2778	0.3365
Group 2	0.0362	0.2416	0.2778	0.3365
W Income Shares				
Group 1	0.2642	—	0.2642	0.3236
Group 2	0.0990	0.1652	0.2642	0.3236

**Equalisation**

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

# Investment Review

## Performance

In the six months to 30 September 2021, the FTF Franklin UK Manager's Focus Fund (W(acc) shares) recorded a net return of 10.13%, outperforming the FTSE All-Share Index, which returned 7.95%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review.

## Significant Changes

Top purchases over the period included Vesuvius, Avon Protection, Big Technologies, Associated British Foods and Reckitt Benckiser Group.

We participated in the successful, oversubscribed initial public offering of Big Technologies, which provides world-leading electronic-monitoring technology on a software-as-a-service basis primarily to criminal justice systems. We believe that the economic and wider social benefits of electronic monitoring is increasing global demand for its offering. In our opinion, Big Technologies' product leadership in both the hardware and software for electronic monitoring has driven the achievement of a high contract win rate.

Top sales included Lancashire Holdings Ltd, Randall & Quilter Investment Holdings, Volution Group, Restore and discoverIE Group.

We exited our position in property and casualty insurer Lancashire, having lost confidence in prospects for the pricing cycle across key lines for the business cover. We sold out of reinsurer Randall and Quilter, as we had diminished conviction in the outlook for the company.

## Positive/Negative Contributors

At the sector level, stock selection in financial services, telecommunications and technology contributed to relative performance. Lack of exposure to banks also added relative value. In contrast, stock selection in health care, industrial goods and services, and food, beverage and tobacco detracted from relative results.

At the stock level, electronic component designer and manufacturer discoverIE was the top contributor to relative performance over the period under review. The shares advanced 57% after a strong set of first-half results led to analyst upgrades for expected performance for the full year. Digital marketing specialist dotdigital Group, which advanced 44% over the six-month period, was also among the key contributors to relative returns. In the absence of any new company news, the share price was aided by a positive broker initiation on the company. Big Technologies' shares rose over 80%, helped by several government announcements supporting the technology's capability and wider roll-out opportunities.

Protective equipment manufacturer Avon Protection, whose share price fell over 38%, was the main stock-level detractor over the period. The company warned that, due to delays in expected large orders for key programmes, full-year performance would be weaker than current consensus. Nonetheless, we view these issues as temporary and continue to hold a positive medium- to longer-term view. Retailer Associated British Foods was also among the largest stock-level detractors from relative performance. The company's share price was down almost 23% over the period under review, albeit on no specific news. However, we continue to believe that the sum-of-the-parts valuation of the group exceeds that of its share price, and we find the recent website improvements at Primark to be compelling.

## Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of October 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Colin Morton, Richard Bullas, Ben Russon, CFA, Dan Green & Mark Hall**  
*Fund Managers*  
30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Managers' Focus Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Accumulation shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	285.17	212.87	249.83	251.48
Return before operating charges <sup>2</sup>	(285.17)	76.28	(32.79)	2.42
Operating charges <sup>3</sup>	–	(3.98)	(4.17)	(4.07)
Return after operating charges <sup>4</sup>	(285.17)	72.30	(36.96)	(1.65)
Closing net asset value per share	–	285.17	212.87	249.83
Distributions	–	(2.36)	(5.41)	(4.35)
Retained distributions on accumulation shares	–	2.36	5.41	4.35
After direct transaction costs of <sup>5</sup>	–	0.38	0.47	0.54
<b>Performance</b>				
Return after charges <sup>6</sup>	–	33.96%	(14.79%)	(0.66%)
<b>Other information</b>				
Closing net asset value (£)	–	14,529,356	12,585,963	18,857,803
Closing number of shares	–	5,094,972	5,912,390	7,548,322
Operating charges ratio <sup>7</sup>	–	1.58%	1.58%	1.58%
Direct transaction costs <sup>5</sup>	0.05%	0.15%	0.18%	0.21%
<b>Prices (p)</b>				
Highest share price	323.76	287.18	294.47	276.85
Lowest share price	285.80	206.89	184.15	226.13

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>S – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	143.79	106.32	123.60	123.24
Return before operating charges <sup>2</sup>	15.05	38.25	(16.45)	1.15
Operating charges <sup>3</sup>	(0.48)	(0.78)	(0.83)	(0.79)
Return after operating charges <sup>4</sup>	14.57	37.47	(17.28)	0.36
Closing net asset value per share	158.36	143.79	106.32	123.60
Distributions	(2.11)	(2.38)	(3.94)	(3.34)
Retained distributions on accumulation shares	2.11	2.38	3.94	3.34
After direct transaction costs of <sup>5</sup>	0.08	0.19	0.24	0.26
<b>Performance</b>				
Return after charges <sup>6</sup>	10.13%	35.24%	(13.98%)	0.29%
<b>Other information</b>				
Closing net asset value (£)	68,640,944	58,982,205	41,921,995	66,053,097
Closing number of shares	43,344,400	41,019,557	39,428,714	53,442,239
Operating charges ratio <sup>7</sup>	0.62%	0.63%	0.63%	0.63%
Direct transaction costs <sup>5</sup>	0.05%	0.15%	0.18%	0.21%
<b>Prices (p)</b>				
Highest share price	163.92	144.75	146.79	135.93
Lowest share price	144.13	103.34	91.94	111.60

## FTF Franklin UK Managers' Focus Fund (continued)

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	268.76	199.12	231.94	231.73
Return before operating charges <sup>2</sup>	28.12	71.60	(30.78)	2.18
Operating charges <sup>3</sup>	(1.19)	(1.96)	(2.04)	(1.97)
Return after operating charges <sup>4</sup>	26.93	69.64	(32.82)	0.21
Closing net asset value per share	295.69	268.76	199.12	231.94
Distributions	(3.66)	(3.99)	(6.89)	(5.79)
Retained distributions on accumulation shares	3.66	3.99	6.89	5.79
After direct transaction costs of <sup>5</sup>	0.15	0.36	0.44	0.50
<b>Performance</b>				
Return after charges <sup>6</sup>	10.02%	34.97%	(14.15%)	0.09%
<b>Other information</b>				
Closing net asset value (£)	269,278,946	241,487,473	169,515,796	277,466,426
Closing number of shares	91,066,725	89,854,018	85,130,499	119,628,096
Operating charges ratio <sup>7</sup>	0.82%	0.83%	0.83%	0.83%
Direct transaction costs <sup>5</sup>	0.05%	0.15%	0.18%	0.21%
<b>Prices (p)</b>				
Highest share price	306.12	270.57	275.03	255.50
Lowest share price	269.38	193.54	172.21	209.53
<b>W – Income shares<sup>8</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	96.38	72.57	100.00	n/a
Return before operating charges <sup>2</sup>	10.09	25.99	(26.51)	n/a
Operating charges <sup>3</sup>	(0.43)	(0.73)	(0.65)	n/a
Return after operating charges <sup>4</sup>	9.66	25.26	(27.16)	n/a
Distributions	(1.31)	(1.45)	(0.27)	n/a
Closing net asset value per share	104.73	96.38	72.57	n/a
After direct transaction costs of <sup>5</sup>	0.05	0.13	0.14	n/a
<b>Performance</b>				
Return after charges <sup>6</sup>	10.02%	34.81%	(27.16%)	n/a
<b>Other information</b>				
Closing net asset value (£)	18,122,790	18,868,082	21,373,727	n/a
Closing number of shares	17,304,079	19,576,744	29,452,237	n/a
Operating charges ratio <sup>7</sup>	0.82%	0.83%	0.83%	n/a
Direct transaction costs <sup>3</sup>	0.05%	0.15%	0.18%	n/a
<b>Prices (p)</b>				
Highest share price	109.78	97.82	100.00	n/a
Lowest share price	96.60	70.52	62.99	n/a

**FTF Franklin UK Managers' Focus Fund** (continued)

<b>Y – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	143.28	107.88	129.75	132.82
Return before operating charges <sup>2</sup>	15.03	38.65	(16.88)	1.38
Operating charges <sup>3</sup>	(0.02)	(0.03)	(0.04)	(0.04)
Return after operating charges <sup>4</sup>	15.01	38.62	(16.92)	1.34
Distributions	(2.59)	(3.22)	(4.95)	(4.41)
Closing net asset value per share	155.70	143.28	107.88	129.75
After direct transaction costs of <sup>5</sup>	0.08	0.19	0.25	0.28

**Performance**

Return after charges <sup>6</sup>	10.48%	35.80%	(13.04%)	1.01%
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**Other information**

Closing net asset value (£)	4,220	3,883	2,924	3,517
Closing number of shares	2,710	2,710	2,710	2,710
Operating charges ratio <sup>7</sup>	0.02%	0.03%	0.03%	0.03%
Direct transaction costs <sup>5</sup>	0.05%	0.15%	0.18%	0.21%

**Prices (p)**

Highest share price	163.79	145.94	151.76	146.67
Lowest share price	143.63	104.83	95.16	118.63

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	264.08	196.05	228.82	229.07
Return before operating charges <sup>2</sup>	(264.08)	70.42	(30.27)	2.16
Operating charges <sup>3</sup>	–	(2.39)	(2.50)	(2.41)
Return after operating charges <sup>4</sup>	(264.08)	68.03	(32.77)	(0.25)
Closing net asset value per share	–	264.08	196.05	228.82
Distributions	–	(3.46)	(6.30)	(5.26)
Retained distributions on accumulation shares	–	3.46	6.30	5.26
After direct transaction costs of <sup>5</sup>	–	0.35	0.44	0.49

**Performance**

Return after charges <sup>6</sup>	–	34.70%	(14.32%)	(0.11%)
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**Other information**

Closing net asset value (£)	–	917,897	738,138	858,260
Closing number of shares	–	347,586	376,506	375,084
Operating charges ratio <sup>7</sup>	–	1.03%	1.03%	1.03%
Direct transaction costs <sup>5</sup>	0.05%	0.15%	0.18%	0.21%

**Prices (p)**

Highest share price	300.53	265.88	270.89	252.46
Lowest share price	264.68	190.55	169.56	206.82

**FTF Franklin UK Managers' Focus Fund** (continued)

- 1 Shares converted to Class W shares on 13 September 2021.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- 8 This share class launched on 21 February 2020.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**

This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Managers' Focus Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 97.51% (97.60%)</b>		
	<b>AEROSPACE AND DEFENSE 1.95% (1.56%)</b>		
360,000	Avon Protection plc	6,937	1.95
	<b>BEVERAGES 2.62% (2.52%)</b>		
256,000	Diageo plc	9,313	2.62
	<b>CONSTRUCTION AND MATERIALS 1.83% (2.47%)</b>		
1,300,000	Volution Group plc	6,526	1.83
	<b>CONSUMER SERVICES 2.52% (2.34%)</b>		
580,000	Compass Group plc	8,981	2.52
	<b>FINANCE AND CREDIT SERVICES 2.50% (2.14%)</b>		
1,625,000	Paragon Banking Group plc	8,889	2.50
	<b>FOOD PRODUCERS 4.49% (4.83%)</b>		
450,000	Associated British Foods plc	8,449	2.37
210,000	Cranswick plc	7,539	2.12
		<b>15,988</b>	<b>4.49</b>
	<b>GENERAL INDUSTRIALS 2.40% (2.46%)</b>		
347,000	Bunzl plc	8,561	2.40
	<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.23% (2.68%)</b>		
245,000	Bellway plc	7,938	2.23
	<b>INDUSTRIAL ENGINEERING 4.20% (1.92%)</b>		
1,300,000	Vesuvius plc	6,336	1.78
567,800	Vitec Group plc (The)	8,602	2.42
		<b>14,938</b>	<b>4.20</b>
	<b>INDUSTRIAL METALS AND MINING 4.67% (4.92%)</b>		
1,000,000	Bodycote plc	8,835	2.48
160,000	Rio Tinto plc	7,803	2.19
		<b>16,638</b>	<b>4.67</b>
	<b>INDUSTRIAL SUPPORT SERVICES 9.08% (9.21%)</b>		
900,000	Electrocomponents plc	9,783	2.75
86,000	Ferguson plc	9,009	2.53
1,200,000	Restore plc <sup>#</sup>	5,760	1.62
5,800,000	Serco Group plc	7,749	2.18
		<b>32,301</b>	<b>9.08</b>
	<b>INVESTMENT BANKING AND BROKERAGE SERVICES 6.60% (6.41%)</b>		
401,000	Intermediate Capital Group plc	8,217	2.31
1,200,000	JTC plc, Reg S	8,880	2.49
800,000	Polar Capital Holdings plc <sup>#</sup>	6,424	1.80
		<b>23,521</b>	<b>6.60</b>



## FTF Franklin UK Managers' Focus Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>LIFE INSURANCE 4.71% (5.08%)</b>		
1,400,000	Phoenix Group Holdings plc	9,030	2.54
536,000	Prudential plc	7,737	2.17
		<b>16,767</b>	<b>4.71</b>
	<b>MEDIA 2.66% (2.42%)</b>		
435,000	RELX plc	9,483	2.66
	<b>MEDICAL EQUIPMENT AND SERVICES 2.30% (2.24%)</b>		
630,000	Smith & Nephew plc	8,193	2.30
	<b>NON-LIFE INSURANCE 0.00% (3.71%)</b>		
	<b>OIL, GAS AND COAL 5.59% (5.06%)</b>		
2,850,000	BP plc	9,729	2.73
612,000	Royal Dutch Shell plc, A	10,176	2.86
		<b>19,905</b>	<b>5.59</b>
	<b>PERSONAL CARE, DRUG AND GROCERY STORES 7.60% (7.47%)</b>		
157,000	Reckitt Benckiser Group plc	9,239	2.59
3,560,000	Tesco plc	9,119	2.56
215,000	Unilever plc	8,719	2.45
		<b>27,077</b>	<b>7.60</b>
	<b>PHARMACEUTICALS AND BIOTECHNOLOGY 5.14% (4.91%)</b>		
106,000	AstraZeneca plc	9,479	2.66
624,000	GlaxoSmithKline plc	8,823	2.48
		<b>18,302</b>	<b>5.14</b>
	<b>REAL ESTATE INVESTMENT TRUSTS 4.27% (4.21%)</b>		
225,000	Derwent London plc <sup>§</sup>	7,904	2.22
4,250,000	Urban Logistics REIT plc <sup>#,§</sup>	7,310	2.05
		<b>15,214</b>	<b>4.27</b>
	<b>RETAILERS 2.45% (2.61%)</b>		
970,000	Howden Joinery Group plc	8,722	2.45
	<b>SOFTWARE AND COMPUTER SERVICES 5.26% (4.21%)</b>		
1,300,000	Big Technologies plc	4,563	1.28
3,046,765	dotdigital group plc <sup>#</sup>	7,434	2.09
2,600,000	NCC Group plc	6,708	1.89
		<b>18,705</b>	<b>5.26</b>
	<b>TECHNOLOGY HARDWARE AND EQUIPMENT 3.19% (3.29%)</b>		
750,000	DiscoverIE Group plc	7,875	2.21
270,000	Gooch & Housego plc <sup>#</sup>	3,483	0.98
		<b>11,358</b>	<b>3.19</b>
	<b>TELECOMMUNICATIONS EQUIPMENT 2.51% (2.46%)</b>		
3,200,000	Spirent Communications plc	8,928	2.51
	<b>TOBACCO 4.93% (4.88%)</b>		
325,000	British American Tobacco plc	8,653	2.43
564,000	Imperial Brands plc	8,894	2.50
		<b>17,547</b>	<b>4.93</b>

**FTF Franklin UK Managers' Focus Fund** (continued)

<b>Number of Shares or Face Value</b>	<b>Description</b>	<b>Market Value £000</b>	<b>% of Net Assets</b>
	<b>TRAVEL AND LEISURE 1.81% (1.59%)</b>		
500,000	JET2 plc <sup>#</sup>	6,443	1.81
	<b>TOTAL - EQUITIES</b>	<b>347,175</b>	<b>97.51</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>347,175</b>	<b>97.51</b>
	<b>OTHER ASSETS</b>	<b>8,873</b>	<b>2.49</b>
	<b>TOTAL NET ASSETS</b>	<b>356,048</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

<sup>#</sup> Traded on an alternative investment market.

<sup>\$</sup> Real Estate Investment Trust ("REIT").

## FTF Franklin UK Managers' Focus Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		29,107		28,239
Revenue	5,955		3,582	
Expenses	(1,463)		(1,199)	
Net revenue before taxation	4,492		2,383	
Taxation	37		(18)	
Net revenue after taxation		4,529		2,365
<b>Total return before distributions for the period</b>		<b>33,636</b>		<b>30,604</b>
Distributions		(4,573)		(2,365)
<b>Change in net assets attributable to shareholders</b>		<b>29,063</b>		<b>28,239</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>334,789</b>		<b>246,138</b>
Amounts received on creation of shares	39,727		57,878	
Amounts paid on cancellation of shares	(51,922)		(37,649)	
		(12,195)		20,229
Dilution adjustments		145		–
Change in net assets attributable to shareholders from investment activities (see above)		29,063		28,239
Retained distribution on accumulation shares		4,246		2,261
<b>Closing net assets attributable to shareholders</b>		<b>356,048</b>		<b>296,867</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	347,175	326,749
Current assets		
Debtors	4,625	2,323
Cash and bank balances	10,626	7,232
<b>Total assets</b>	<b>362,426</b>	<b>336,304</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(227)	(154)
Other creditors	(6,151)	(1,361)
<b>Total liabilities</b>	<b>(6,378)</b>	<b>(1,515)</b>
<b>Net assets attributable to shareholders</b>	<b>356,048</b>	<b>334,789</b>

## FTF Franklin UK Managers' Focus Fund

## Distribution Statement

## For the period 1 April 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	1.0490
Group 2	—	—	—	1.0490
S Accumulation Shares				
Group 1	2.1130	—	2.1130	1.0870
Group 2	0.7075	1.4055	2.1130	1.0870
W Accumulation Shares				
Group 1	3.6567	—	3.6567	1.8117
Group 2	1.4911	2.1656	3.6567	1.8117
W Income Shares				
Group 1	1.3120	—	1.3120	0.6598
Group 2	0.4152	0.8968	1.3120	0.6598
Y Income Shares				
Group 1	2.5937	—	2.5937	1.4916
Group 2	2.5937	—	2.5937	1.4916
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	1.5677
Group 2	—	—	—	1.5677

## Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

# Investment Review

## Performance

In the six months to 30 September 2021, FTF Franklin UK Mid Cap Fund (W(acc) shares) recorded a return of 11.29%, outperforming the FTSE 250 (excluding Investment Trusts) Index, which returned 9.35%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review. Mid-cap stocks outperformed slightly, with the FTSE 250 (excluding Investment Trusts) Index rising over 9%.

## Significant Changes

Top purchases over the period included Avon Protection, Games Workshop Group, JTC, Electrocomponents and Spirent Communications.

We purchased a stake in protection equipment business Avon Protection. A period of share-price weakness, on the back of an earnings downgrade and delays to a new contract, left the shares looking attractively valued, in our view, given the significant growth opportunities. We increased our position in specialist fund administration group JTC in the second quarter of the year, after the company issued new shares to investors to enhance its balance sheet firepower for its burgeoning merger and acquisition pipeline.

Top sales over the period included UDG Healthcare, Shaftesbury, Derwent London (REIT), Genuit Group and PageGroup.

We sold out of West End property group Shaftesbury early in the period, after a strong recovery in the company's share price. In the third quarter of 2021, we sold out of healthcare services provider UDG Healthcare and trimmed a number of positions including recruitment business PageGroup and specialty construction group Genuit.

## Positive/Negative Contributors

At the sector level, stock selection in financial services, technology, consumer products and services, and construction and materials contributed to relative performance. In contrast, stock selection in industrial goods and services, and lack of exposure to media weighed on relative results.

At the stock level, asset manager Liontrust Asset Management, whose share price rose almost 53% over the period, was the top contributor to relative performance. Recruitment business PageGroup, up over 38%, was also a key stock-level contributor to relative results. The company is trading very well and has been increasing profit guidance. This is due to the tightness in the labour market and PageGroup has been a beneficiary of a wage inflationary environment. UDG Healthcare was another major contributor. In May, the company announced a bid approach from private equity for the entire company. This was at a premium to the current share price and the stock rose strongly after the deal was recommended by the UDG board. This helped the share price to rise 37% over the review period.

Specialty property insurer Lancashire Holdings Limited was one of the largest detractors from relative performance. The company's share price was down 11% over the period, with the pricing environment for the industry remaining weaker than expected. We also saw weakness from some of our industrial-exposed stocks, including steel consumable products supplier Vesuvius. Concerns around short-term supply disruptions, continued automotive production bottlenecks and the potential easing of demand were the main reasons. Food producer Cranswick was also among the largest detractors. In a rising market, the company's share price was down marginally over the review period, as CO<sub>2</sub>, used in the production process, has become difficult to source and the price has risen significantly.

## Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of October 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Richard Bullas, Dan Green, CFA, Marcus Tregoning & Mark Hall**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Mid Cap Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Income shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	667.44	487.54	595.87	614.55
Return before operating charges <sup>2</sup>	(667.44)	189.02	(90.44)	2.51
Operating charges <sup>3</sup>	–	(9.12)	(10.27)	(9.70)
Return after operating charges <sup>4</sup>	(667.44)	179.90	(100.71)	(7.19)
Distributions	–	–	(7.62)	(11.49)
Closing net asset value per share	–	667.44	487.54	595.87
After direct transaction costs of <sup>5</sup>	–	0.76	2.02	1.48
<b>Performance</b>				
Return after charges <sup>6</sup>	–	36.90%	(16.90%)	(1.17%)
<b>Other information</b>				
Closing net asset value (£)	–	53,959,139	50,158,736	66,221,279
Closing number of shares	–	8,084,494	10,288,167	11,113,342
Operating charges ratio <sup>7</sup>	–	1.57%	1.58%	1.57%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%
<b>Prices (p)</b>				
Highest share price	788.06	669.90	751.54	675.15
Lowest share price	673.87	461.07	424.30	531.90

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>S – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	148.04	107.11	128.16	128.47
Return before operating charges <sup>2</sup>	17.87	41.72	(20.15)	(0.49)
Operating charges <sup>3</sup>	(0.50)	(0.79)	(0.90)	(0.80)
Return after operating charges <sup>4</sup>	17.37	40.93	(21.05)	(0.31)
Closing net asset value per share	165.41	148.04	107.11	128.16
Distributions	(1.84)	(1.08)	(2.99)	(3.65)
Retained distributions on accumulation shares	1.84	1.08	2.99	3.65
After direct transaction costs of <sup>5</sup>	0.05	0.17	0.44	0.31
<b>Performance</b>				
Return after charges <sup>6</sup>	11.73%	38.21%	(16.42%)	(0.24%)
<b>Other information</b>				
Closing net asset value (£)	139,395,668	121,281,087	90,334,342	71,704,121
Closing number of shares	84,271,917	81,924,662	84,334,293	55,947,402
Operating charges ratio <sup>7</sup>	0.62%	0.62%	0.63%	0.62%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%
<b>Prices (p)</b>				
Highest share price	175.52	148.59	164.60	141.41
Lowest share price	149.49	101.37	93.12	112.66

**FTF Franklin UK Mid Cap Fund** (continued)

<b>S – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	112.96	82.35	100.80	103.98
Return before operating charges <sup>2</sup>	13.64	32.05	(17.76)	(2.53)
Operating charges <sup>3</sup>	(0.38)	(0.61)	(0.69)	(0.65)
Return after operating charges <sup>4</sup>	13.26	31.44	(18.45)	(3.18)
Distributions	(1.40)	(0.83)	–	–
Closing net asset value per share	124.82	112.96	82.35	100.80
After direct transaction costs of <sup>5</sup>	0.04	0.13	0.34	0.25

**Performance**

Return after charges <sup>6</sup>	11.74%	38.18%	(18.30%)	(3.06%)
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**Other information**

Closing net asset value (£)	250,098,057	238,156,573	211,102,185	220,214,770
Closing number of shares	200,369,572	210,836,610	256,361,933	218,460,409
Operating charges ratio <sup>7</sup>	0.62%	0.62%	0.63%	0.62%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%

**Prices (p)**

Highest share price	133.94	114.16	127.47	114.46
Lowest share price	114.07	77.88	72.11	90.41

<b>W – Accumulation shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	265.78	192.69	231.02	232.04
Return before operating charges <sup>2</sup>	32.09	74.97	(36.21)	0.90
Operating charges <sup>3</sup>	(1.20)	(1.88)	(2.12)	(1.92)
Return after operating charges <sup>4</sup>	30.89	73.09	(38.33)	(1.02)
Closing net asset value per share	296.67	265.78	192.69	231.02
Distributions	(3.01)	(1.49)	(4.87)	(6.11)
Retained distributions on accumulation shares	3.01	1.49	4.87	6.11
After direct transaction costs of <sup>5</sup>	0.09	0.30	0.79	0.56

**Performance**

Return after charges <sup>6</sup>	11.62%	37.93%	(16.59%)	(0.44%)
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**Other information**

Closing net asset value (£)	390,720,655	359,212,750	273,343,919	255,246,794
Closing number of shares	131,701,145	135,153,425	141,855,414	110,487,606
Operating charges ratio <sup>7</sup>	0.82%	0.82%	0.83%	0.82%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%

**Prices (p)**

Highest share price	314.85	266.76	296.26	255.32
Lowest share price	268.37	182.35	167.53	203.19



## FTF Franklin UK Mid Cap Fund (continued)

W – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	198.65	144.85	177.26	182.83
Return before operating charges <sup>2</sup>	23.99	56.35	(27.07)	0.74
Operating charges <sup>3</sup>	(0.89)	(1.43)	(1.61)	(1.51)
Return after operating charges <sup>4</sup>	23.10	54.92	(28.68)	(0.77)
Distributions	(2.25)	(1.12)	(3.73)	(4.80)
Closing net asset value per share	219.50	198.65	144.85	177.26
After direct transaction costs of <sup>5</sup>	0.07	0.23	0.60	0.44

**Performance**

Return after charges <sup>6</sup>	11.63%	37.92%	(16.18%)	(0.42%)
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**Other information**

Closing net asset value (£)	353,890,785	316,174,026	261,696,019	314,865,810
Closing number of shares	161,228,369	159,163,472	180,669,380	177,634,159
Operating charges ratio <sup>7</sup>	0.82%	0.82%	0.83%	0.82%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%

**Prices (p)**

Highest share price	235.33	200.44	224.03	201.17
Lowest share price	200.59	136.99	126.68	158.82

Y – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	149.09	108.65	133.16	137.39
Return before operating charges <sup>2</sup>	18.04	42.36	(20.48)	0.54
Operating charges <sup>3</sup>	(0.01)	(0.02)	(0.04)	(0.03)
Return after operating charges <sup>4</sup>	18.03	42.34	(20.52)	0.51
Distributions	(2.36)	(1.90)	(3.99)	(4.74)
Closing net asset value per share	164.76	149.09	108.65	133.16
After direct transaction costs of <sup>5</sup>	0.05	0.17	0.45	0.33

**Performance**

Return after charges <sup>6</sup>	12.09%	38.97%	(15.41%)	0.37%
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**Other information**

Closing net asset value (£)	4,897	4,431	3,229	3,958
Closing number of shares	2,972	2,972	2,972	2,972
Operating charges ratio <sup>7</sup>	0.02%	0.02%	0.03%	0.02%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%

**Prices (p)**

Highest share price	177.27	151.40	168.66	151.43
Lowest share price	150.58	102.75	95.52	119.80

**FTF Franklin UK Mid Cap Fund** (continued)

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	261.21	189.73	227.91	229.38
Return before operating charges <sup>2</sup>	(261.21)	73.79	(35.59)	0.90
Operating charges <sup>3</sup>	–	(2.31)	(2.59)	(2.37)
Return after operating charges <sup>4</sup>	(261.21)	71.48	(38.18)	(1.47)
Closing net asset value per share	–	261.21	189.73	227.91
Distributions	–	(1.01)	(4.30)	(5.58)
Retained distributions on accumulation shares	–	1.01	4.30	5.58
After direct transaction costs of <sup>5</sup>	–	0.29	0.78	0.56
<b>Performance</b>				
Return after charges <sup>6</sup>	–	37.67%	(16.75%)	(0.64%)
<b>Other information</b>				
Closing net asset value (£)	–	4,730,146	3,746,954	5,897,256
Closing number of shares	–	1,810,853	1,974,938	2,587,488
Operating charges ratio <sup>7</sup>	–	1.02%	1.03%	1.02%
Direct transaction costs <sup>5</sup>	0.03%	0.13%	0.31%	0.24%
<b>Prices (p)</b>				
Highest share price	309.11	262.13	291.83	252.29
Lowest share price	263.71	179.54	164.96	200.57

1 Shares converted to Class W shares on 13 September 2021.

2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

## Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Mid Cap Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 96.21% (97.50%)</b>		
	<b>AEROSPACE AND DEFENSE 4.68% (3.04%)</b>		
925,000	Avon Protection plc	17,825	1.57
10,900,000	QinetiQ Group plc	35,272	3.11
		<b>53,097</b>	<b>4.68</b>
	<b>CONSTRUCTION AND MATERIALS 3.20% (3.34%)</b>		
5,200,000	Genuit Group plc	36,296	3.20
	<b>ELECTRONIC AND ELECTRICAL EQUIPMENT 5.94% (6.20%)</b>		
10,200,000	Rotork plc	35,455	3.13
820,000	Spectris plc	31,882	2.81
		<b>67,337</b>	<b>5.94</b>
	<b>FINANCE AND CREDIT SERVICES 2.82% (2.33%)</b>		
5,850,000	Paragon Banking Group plc	32,000	2.82
	<b>FOOD PRODUCERS 2.96% (3.08%)</b>		
935,000	Cranswick plc	33,566	2.96
	<b>HEALTH CARE PROVIDERS 0.00% (2.31%)</b>		
	<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION 6.25% (6.90%)</b>		
925,000	Bellway plc	29,970	2.64
6,200,000	Redrow plc	40,957	3.61
		<b>70,927</b>	<b>6.25</b>
	<b>INDUSTRIAL ENGINEERING 2.75% (2.97%)</b>		
6,400,000	Vesuvius plc	31,194	2.75
	<b>INDUSTRIAL METALS AND MINING 3.23% (3.53%)</b>		
4,150,000	Bodycote plc	36,665	3.23
	<b>INDUSTRIAL SUPPORT SERVICES 17.44% (17.17%)</b>		
3,850,000	Electrocomponents plc	41,849	3.69
2,750,000	Euromoney Institutional Investor plc	28,105	2.48
3,150,000	Grafton Group plc	40,603	3.58
2,850,000	Inchcape plc	23,513	2.07
5,600,000	Pagegroup plc	35,084	3.09
21,500,000	Serco Group plc	28,724	2.53
		<b>197,878</b>	<b>17.44</b>
	<b>INVESTMENT BANKING AND BROKERAGE SERVICES 9.66% (8.23%)</b>		
5,750,000	Ashmore Group plc	19,723	1.74
3,989,450	JTC plc, Reg S	29,522	2.60
1,700,000	Liontrust Asset Management plc	36,295	3.20
1,200,000	Rathbone Brothers plc	24,000	2.12
		<b>109,540</b>	<b>9.66</b>

**FTF Franklin UK Mid Cap Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>LEISURE GOODS 1.83% (0.37%)</b>		
200,000	Games Workshop Group plc	20,780	1.83
	<b>NON-LIFE INSURANCE 2.16% (2.57%)</b>		
4,350,000	Lancashire Holdings Ltd.	24,491	2.16
	<b>PERSONAL CARE, DRUG AND GROCERY STORES 2.38% (2.37%)</b>		
900,000	Greggs plc	26,928	2.38
	<b>PERSONAL GOODS 2.85% (2.49%)</b>		
3,400,000	Watches of Switzerland Group plc	32,266	2.85
	<b>REAL ESTATE INVESTMENT AND SERVICES 3.14% (2.96%)</b>		
11,650,000	Grainger plc	35,626	3.14
	<b>REAL ESTATE INVESTMENT TRUSTS 6.47% (9.15%)</b>		
825,000	Derwent London plc <sup>§</sup>	28,982	2.56
10,750,000	LondonMetric Property plc <sup>§</sup>	26,209	2.31
1,650,000	UNITE Group plc (The) <sup>§</sup>	18,125	1.60
		<b>73,316</b>	<b>6.47</b>
	<b>RETAILERS 9.24% (9.31%)</b>		
12,149,176	DFS Furniture plc	31,527	2.78
4,450,000	Howden Joinery Group plc	40,014	3.53
6,800,000	Pets at Home Group plc	33,266	2.93
		<b>104,807</b>	<b>9.24</b>
	<b>SOFTWARE AND COMPUTER SERVICES 2.03% (2.01%)</b>		
4,500,000	Bytes Technology Group plc	22,972	2.03
	<b>TELECOMMUNICATIONS EQUIPMENT 4.06% (3.51%)</b>		
16,500,000	Spirent Communications plc	46,035	4.06
	<b>TRAVEL AND LEISURE 3.12% (3.66%)</b>		
1,800,000	J D Wetherspoon plc	18,756	1.65
6,000,000	SSP Group plc	16,626	1.47
		<b>35,382</b>	<b>3.12</b>
	<b>TOTAL - EQUITIES</b>	<b>1,091,103</b>	<b>96.21</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>1,091,103</b>	<b>96.21</b>
	<b>OTHER ASSETS</b>	<b>43,007</b>	<b>3.79</b>
	<b>TOTAL NET ASSETS</b>	<b>1,134,110</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

<sup>§</sup> Real Estate Investment Trust ("REIT").

## FTF Franklin UK Mid Cap Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		113,431		82,742
Revenue	16,714		6,144	
Expenses	(4,527)		(3,969)	
Net revenue before taxation	12,187		2,175	
Taxation	(59)		(47)	
Net revenue after taxation		12,128		2,128
<b>Total return before distributions for the period</b>		<b>125,559</b>		<b>84,870</b>
Distributions		(12,329)		(436)
<b>Change in net assets attributable to shareholders</b>		<b>113,230</b>		<b>84,434</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>1,093,518</b>		<b>890,385</b>
Amounts received on creation of shares	100,624		195,093	
Amounts paid on cancellation of shares	(187,270)		(195,723)	
		(86,646)		(630)
Dilution adjustments		8,498		—
Change in net assets attributable to shareholders from investment activities (see above)		113,230		84,434
Retained distribution on accumulation shares		5,510		194
<b>Closing net assets attributable to shareholders</b>		<b>1,134,110</b>		<b>974,383</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	1,091,103	1,066,217
Current assets		
Debtors	6,265	5,362
Cash and bank balances	46,154	34,674
<b>Total assets</b>	<b>1,143,522</b>	<b>1,106,253</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(6,435)	(3,319)
Other creditors	(2,977)	(9,416)
<b>Total liabilities</b>	<b>(9,412)</b>	<b>(12,735)</b>
<b>Net assets attributable to shareholders</b>	<b>1,134,110</b>	<b>1,093,518</b>

## FTF Franklin UK Mid Cap Fund

## Distribution Statement

## For the period 1 April 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Income Shares <sup>1</sup>				
Group 1	—	—	—	—
Group 2	—	—	—	—
S Accumulation Shares				
Group 1	1.8389	—	1.8389	0.0723
Group 2	1.0520	0.7869	1.8389	0.0723
S Income Shares				
Group 1	1.4031	—	1.4031	0.0555
Group 2	0.8225	0.5806	1.4031	0.0555
W Accumulation Shares				
Group 1	3.0073	—	3.0073	0.0864
Group 2	1.4470	1.5603	3.0073	0.0864
W Income Shares				
Group 1	2.2476	—	2.2476	0.0656
Group 2	0.5719	1.6757	2.2476	0.0656
Y Income Shares				
Group 1	2.3630	—	2.3630	0.1484
Group 2	2.3630	—	2.3630	0.1484
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	0.0463
Group 2	—	—	—	0.0463

## Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

# Investment Review

## Performance

In the six months to 30 September 2021, FTF Franklin UK Opportunities Fund (W(acc) shares) recorded a net return of 8.04%, marginally outperforming the FTSE All-Share Index, which returned 7.95%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review.

## Significant Changes

Top purchases over the period included QinetiQ Group, Legal & General Group, Smiths Group, Dunelm Group and Informa.

We started a position in defence contractor QinetiQ, as viewed the company as being well placed to benefit from a pivot in defence spending toward cyber, space and autonomous technologies in the UK. We bought into life insurer Legal & General because of the increasing scale of its asset book, which we felt would provide the company with more underwriting flexibility. We also initiated a position in diversified industrials business Smiths Group. It has been separating its medical division, which we believed would help pay down debt and allow the company to focus on higher margin areas of the business.

Top sales over the period included BAE Systems, Lancashire Holdings Ltd, GlaxoSmithKline, Britvic and Diageo.

We sold out of specialist insurer Lancashire having lost confidence in our investment thesis for the company, due to the lack of any signs of a renewed firmness in the pricing cycle across natural catastrophe lines.

## Positive/Negative Contributors

At the sector level, stock selection in financial services, and lack of exposure to banks, travel and leisure, and telecommunications boosted relative performance. In contrast, stock selection in industrial goods and services, basic resources, and food, beverage and tobacco weighed on relative returns.

At a stock level, oil giant Royal Dutch Shell, up 26% over the six-month period, was the top contributor to relative returns. Sentiment around the sector was boosted by rallying oil prices, with the European benchmark Brent contract approaching the US\$80 a barrel mark at the end of September. Financial advisor St James's Place was another leading contributor over the six-month period. The shares rose strongly in the second quarter of 2021, albeit on no particular news, although the company held a well-received investor day outlining a credible plan to reach £200 billion of assets under management by 2025.

Retailer Associated British Foods was the largest stock-level detractor from relative performance. The company's share price fell almost 23% over the period under review, albeit on no specific news. However, we continue to believe that the sum-of-the-parts valuation of the group exceeds that of its share price, and we find the recent website improvements at Primark to be compelling. Housebuilder Persimmon, whose share price declined nearly 6% over the period under review, was also among the key detractors from relative results. Operationally, the sector has performed well, and Persimmon has adapted well to various material and labour shortages. However, there have been wider concerns over near-term prospects for the housing market.

## Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of October 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Ben Russon, CFA, Mark Hall & Colin Morton**

*Fund Managers*

30 September 2021



## Comparative Table, 30 September 2021

## FTF Franklin UK Opportunities Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Income shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	353.52	297.37	365.90	357.90
Return before operating charges <sup>2</sup>	(353.52)	68.64	(55.02)	23.12
Operating charges <sup>3</sup>	–	(3.34)	(3.76)	(5.91)
Return after operating charges <sup>4</sup>	(353.52)	65.30	(58.78)	17.21
Distributions	–	(9.15)	(9.75)	(9.21)
Closing net asset value per share	–	353.52	297.37	365.90
After direct transaction costs of <sup>5</sup>	–	0.43	0.19	0.33

**Performance**

Return after charges <sup>6</sup>	–	21.96%	(16.06%)	4.81%
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**Other information**

Closing net asset value (£)	–	12,356,730	11,784,757	17,732,871
Closing number of shares	–	3,495,345	3,962,998	4,846,429
Operating charges ratio <sup>7</sup>	–	1.00%	1.00%	1.60%
Direct transaction costs <sup>5</sup>	0.05%	0.13%	0.05%	0.09%

**Prices (p)**

Highest share price	387.06	358.47	409.41	395.22
Lowest share price	352.52	284.12	260.10	331.01

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	191.73	156.27	185.26	174.95
Return before operating charges <sup>2</sup>	15.63	36.43	(27.93)	11.32
Operating charges <sup>3</sup>	(0.58)	(0.97)	(1.06)	(1.01)
Return after operating charges <sup>4</sup>	15.05	35.46	(28.99)	10.31
Closing net asset value per share	206.78	191.73	156.27	185.26
Distributions	(4.09)	(5.62)	(6.63)	(6.47)
Retained distributions on accumulation shares	4.09	5.62	6.63	6.47
After direct transaction costs of <sup>5</sup>	0.10	0.23	0.10	0.16

**Performance**

Return after charges <sup>6</sup>	7.85%	22.69%	(15.65%)	5.89%
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**Other information**

Closing net asset value (£)	13,008,602	11,029,310	9,026,272	10,916,224
Closing number of shares	6,291,098	5,752,616	5,776,153	5,892,284
Operating charges ratio <sup>7</sup>	0.57%	0.55%	0.55%	0.55%
Direct transaction costs <sup>5</sup>	0.05%	0.13%	0.05%	0.09%

**Prices (p)**

Highest share price	210.33	191.65	211.85	193.48
Lowest share price	191.21	149.51	134.69	165.23

**FTF Franklin UK Opportunities Fund** (continued)

<b>W – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	109.99	92.51	113.92	111.41
Return before operating charges <sup>2</sup>	8.96	21.37	(16.72)	7.23
Operating charges <sup>3</sup>	(0.33)	(0.58)	(0.65)	(0.63)
Return after operating charges <sup>4</sup>	8.63	20.79	(17.37)	6.60
Distributions	(2.35)	(3.31)	(4.04)	(4.09)
Closing net asset value per share	116.27	109.99	92.51	113.92
After direct transaction costs of <sup>5</sup>	0.06	0.13	0.06	0.10

**Performance**

Return after charges <sup>6</sup>	7.85%	22.47%	(15.25%)	5.92%
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**Other information**

Closing net asset value (£)	26,640,947	18,576,289	16,960,446	25,796,067
Closing number of shares	22,913,338	16,889,713	18,333,862	22,644,990
Operating charges ratio <sup>7</sup>	0.57%	0.55%	0.55%	0.55%
Direct transaction costs <sup>5</sup>	0.05%	0.13%	0.05%	0.09%

**Prices (p)**

Highest share price	120.65	111.67	127.77	123.21
Lowest share price	109.68	88.39	81.24	103.29

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	186.57	152.30	181.25	172.03
Return before operating charges <sup>2</sup>	(186.57)	35.47	(27.63)	11.10
Operating charges <sup>3</sup>	–	(1.20)	(1.32)	(1.88)
Return after operating charges <sup>4</sup>	(186.57)	34.27	(28.95)	9.22
Closing net asset value per share	–	186.57	152.30	181.25
Distributions	–	(5.24)	(5.74)	(5.45)
Retained distributions on accumulation shares	–	5.24	5.74	5.45
After direct transaction costs of <sup>5</sup>	–	0.22	0.09	0.16

**Performance**

Return after charges <sup>6</sup>	–	22.50%	(15.97%)	5.36%
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**Other information**

Closing net asset value (£)	–	1,442,040	1,216,932	1,484,589
Closing number of shares	–	772,909	799,059	819,085
Operating charges ratio <sup>7</sup>	–	0.70%	0.70%	1.05%
Direct transaction costs <sup>5</sup>	0.05%	0.13%	0.05%	0.09%

**Prices (p)**

Highest share price	204.54	186.53	206.52	190.12
Lowest share price	186.06	145.71	131.27	161.86

**FTF Franklin UK Opportunities Fund** (continued)

- 1 Shares converted to Class W shares on 13 September 2021.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**

This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Opportunities Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 98.63% (99.54%)</b>		
	<b>AEROSPACE AND DEFENSE 1.43% (1.54%)</b>		
175,000	QinetiQ Group plc	566	1.43
	<b>BEVERAGES 5.41% (5.85%)</b>		
70,000	Britvic plc	628	1.58
41,700	Diageo plc	1,517	3.83
		<b>2,145</b>	<b>5.41</b>
	<b>CONSTRUCTION AND MATERIALS 1.86% (1.87%)</b>		
21,000	CRH plc	738	1.86
	<b>CONSUMER SERVICES 1.72% (1.70%)</b>		
44,000	Compass Group plc	681	1.72
	<b>ELECTRICITY 2.45% (2.51%)</b>		
61,500	SSE plc	971	2.45
	<b>FOOD PRODUCERS 3.33% (3.86%)</b>		
35,000	Associated British Foods plc	657	1.66
18,400	Cranswick plc	661	1.67
		<b>1,318</b>	<b>3.33</b>
	<b>GAS, WATER AND MULTI-UTILITIES 2.57% (2.77%)</b>		
114,000	National Grid plc	1,021	2.57
	<b>GENERAL INDUSTRIALS 3.37% (2.12%)</b>		
29,000	Bunzl plc	715	1.80
43,000	Smiths Group plc	622	1.57
		<b>1,337</b>	<b>3.37</b>
	<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION 2.07% (2.40%)</b>		
30,750	Persimmon plc	820	2.07
	<b>INDUSTRIAL METALS AND MINING 6.76% (7.86%)</b>		
43,000	BHP Group plc	811	2.05
76,000	Bodycote plc	672	1.69
24,500	Rio Tinto plc	1,195	3.02
		<b>2,678</b>	<b>6.76</b>
	<b>INDUSTRIAL SUPPORT SERVICES 8.52% (8.33%)</b>		
10,500	DCC plc	654	1.65
19,300	Experian plc	604	1.52
7,300	Ferguson plc	765	1.93
57,000	Grafton Group plc	735	1.85
465,000	Serco Group plc	621	1.57
		<b>3,379</b>	<b>8.52</b>
	<b>INVESTMENT BANKING AND BROKERAGE SERVICES 4.98% (5.18%)</b>		
181,000	Brewin Dolphin Holdings plc	680	1.71

## FTF Franklin UK Opportunities Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>INVESTMENT BANKING AND BROKERAGE SERVICES (continued)</b>			
30,700	Intermediate Capital Group plc	629	1.59
44,000	St James's Place plc	666	1.68
		<b>1,975</b>	<b>4.98</b>
<b>LIFE INSURANCE 4.94% (4.63%)</b>			
200,000	Legal & General Group plc	562	1.42
102,000	Phoenix Group Holdings plc	658	1.66
51,000	Prudential plc	736	1.86
		<b>1,956</b>	<b>4.94</b>
<b>MEDIA 6.90% (6.12%)</b>			
112,000	Informa plc	621	1.57
63,000	RELX plc	1,373	3.46
74,000	WPP plc	741	1.87
		<b>2,735</b>	<b>6.90</b>
<b>MEDICAL EQUIPMENT AND SERVICES 1.72% (2.38%)</b>			
52,500	Smith & Nephew plc	683	1.72
<b>NON-LIFE INSURANCE 0.00% (1.16%)</b>			
<b>OIL, GAS AND COAL 8.71% (8.02%)</b>			
456,500	BP plc	1,558	3.93
114,000	Royal Dutch Shell plc, A	1,896	4.78
		<b>3,454</b>	<b>8.71</b>
<b>PERSONAL CARE, DRUG AND GROCERY STORES 8.96% (8.78%)</b>			
15,800	Reckitt Benckiser Group plc	930	2.35
312,000	Tesco plc	799	2.01
45,000	Unilever plc	1,825	4.60
		<b>3,554</b>	<b>8.96</b>
<b>PHARMACEUTICALS AND BIOTECHNOLOGY 9.50% (8.89%)</b>			
27,250	AstraZeneca plc	2,437	6.15
94,000	GlaxoSmithKline plc	1,329	3.35
		<b>3,766</b>	<b>9.50</b>
<b>REAL ESTATE INVESTMENT TRUSTS 3.36% (3.38%)</b>			
285,000	LondonMetric Property plc <sup>§</sup>	695	1.75
58,000	UNITE Group plc (The) <sup>§</sup>	637	1.61
		<b>1,332</b>	<b>3.36</b>
<b>RETAILERS 3.26% (3.00%)</b>			
45,000	Dunelm Group plc	643	1.62
7,900	Next plc	650	1.64
		<b>1,293</b>	<b>3.26</b>
<b>SOFTWARE AND COMPUTER SERVICES 1.76% (1.87%)</b>			
98,000	Sage Group plc (The)	699	1.76
<b>TOBACCO 5.05% (5.32%)</b>			
51,000	British American Tobacco plc	1,358	3.42

**FTF Franklin UK Opportunities Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>TOBACCO (continued)</b>		
41,000	Imperial Brands plc	647	1.63
		<b>2,005</b>	<b>5.05</b>
	<b>TOTAL - EQUITIES</b>	<b>39,106</b>	<b>98.63</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>39,106</b>	<b>98.63</b>
	<b>OTHER ASSETS</b>	<b>544</b>	<b>1.37</b>
	<b>TOTAL NET ASSETS</b>	<b>39,650</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

§ Real Estate Investment Trust ("REIT").

## FTF Franklin UK Opportunities Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		2,543		2,666
Revenue	1,014		779	
Expenses	(149)		(146)	
Net revenue before taxation	865		633	
Taxation	2		7	
Net revenue after taxation		867		640
<b>Total return before distributions for the period</b>		<b>3,410</b>		<b>3,306</b>
Distributions		(885)		(640)
<b>Change in net assets attributable to shareholders</b>		<b>2,525</b>		<b>2,666</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>43,404</b>		<b>38,989</b>
Amounts received on creation of shares	643		2,056	
Amounts paid on cancellation of shares	(7,200)		(2,950)	
		(6,557)		(894)
Dilution adjustments		21		—
Change in net assets attributable to shareholders from investment activities (see above)		2,525		2,666
Retained distribution on accumulation shares		257		180
<b>Closing net assets attributable to shareholders</b>		<b>39,650</b>		<b>40,941</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	39,106	43,205
Current assets		
Debtors	140	239
Cash and bank balances	985	554
Total assets	40,231	43,998
<b>Liabilities</b>		
Creditors		
Distributions payable	(538)	(459)
Other creditors	(43)	(135)
Total liabilities	(581)	(594)
<b>Net assets attributable to shareholders</b>	<b>39,650</b>	<b>43,404</b>

## FTF Franklin UK Opportunities Fund

## Distribution Statement

## For the period 1 April 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Income Shares <sup>1</sup>				
Group 1	—	—	—	4.3716
Group 2	—	—	—	4.3716
W Accumulation Shares				
Group 1	4.0861	—	4.0861	2.6788
Group 2	0.7131	3.3730	4.0861	2.6788
W Income Shares				
Group 1	2.3459	—	2.3459	1.5889
Group 2	0.2366	2.1093	2.3459	1.5889
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	2.4928
Group 2	—	—	—	2.4928

## Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.



# Investment Review

## Performance

In the six months to 30 September 2021, FTF Franklin UK Rising Dividends Fund (W(acc) shares) recorded a return of 9.16%, outperforming the FTSE All-Share Index, which returned 7.95%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review.

## Significant Changes

During the six-month period, the top purchases included QinetiQ Group, Burberry Group, Unilever, Associated British Foods and Flutter Entertainment. We initiated a position in defence contractor QinetiQ, as we viewed the company as being well placed to benefit from a pivot in defence spending toward cyber, space and autonomous technologies in the UK. We added to our position in luxury goods brand Burberry. The sector has been under pressure lately as the Chinese government has indicated it is looking at curbing excessive displays of wealth. The potential risk here is that luxury goods sold in China (a key market for the sector) will attract a higher tax levy and therefore impact sales.

Tops sales over the period included InterContinental Hotels Groups, Britvic, RELX, Brewin Dolphin Holdings and Clarkson.

## Positive/Negative Contributors

At the sector level, overweight exposures to and stock selection in industrial goods and services, and media boosted relative performance, as did an underweight allocation to the underperforming banks segment. Selection in basic resources and financial services also added relative value. In contrast, stock selection in health care, personal care, drug and grocery stores, and food, beverage and tobacco weighed on relative results.

At a stock level, shipping services provider Clarkson was the top contributor to relative performance during the period under review. The company's share price rallied significantly after it reported a record first-half performance across its broking division. Audio-visual equipment business Vitec Group was also among the largest contributors to relative returns. Its share price advanced over 30% over the period, amid an improving outlook. Vitec also announced the acquisition of a software development company, which will further bolster its offering to content creators, in our view. Oil giant Royal Dutch Shell, up 26% over the six-month period, was another top contributor to relative returns. Sentiment around the sector was boosted by rallying oil prices, with the European benchmark Brent contract approaching the US\$80 a barrel mark at the end of September.

Retailer Associated British Foods was the largest stock-level detractor from relative performance. The company's share price fell almost 23% over the period under review, albeit on no specific news. However, we continue to believe that the sum-of-the-parts valuation of the group exceeds that of its share price, and we find the recent website improvements at Primark to be compelling.

## Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of October 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Colin Morton, Ben Russon, CFA & Mark Hall**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Rising Dividends Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Income shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	510.59	420.83	507.13	492.61
Return before operating charges <sup>2</sup>	(506.24)	106.58	(62.77)	41.36
Operating charges <sup>3</sup>	–	(4.71)	(5.10)	(8.12)
Return after operating charges <sup>4</sup>	(506.24)	101.87	(67.87)	33.24
Distributions	(4.35)	(12.11)	(18.43)	(18.72)
Closing net asset value per share	–	510.59	420.83	507.13
After direct transaction costs of <sup>5</sup>	–	1.00	1.19	1.22
<b>Performance</b>				
Return after charges <sup>6</sup>	–	24.21%	(13.38%)	6.75%
<b>Other information</b>				
Closing net asset value (£)	–	4,898,907	4,412,337	6,065,192
Closing number of shares	–	959,455	1,048,494	1,195,989
Operating charges ratio <sup>7</sup>	–	0.99%	0.99%	1.60%
Direct transaction costs <sup>5</sup>	0.05%	0.21%	0.23%	0.24%
<b>Prices (p)</b>				
Highest share price	562.59	513.28	556.21	538.07
Lowest share price	510.75	401.33	370.75	463.07

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	222.41	177.92	204.90	189.81
Return before operating charges <sup>2</sup>	20.78	45.56	(25.83)	16.19
Operating charges <sup>3</sup>	(0.63)	(1.07)	(1.15)	(1.10)
Return after operating charges <sup>4</sup>	20.15	44.49	(26.98)	15.09
Closing net asset value per share	242.56	222.41	177.92	204.90
Distributions	(4.40)	(5.65)	(7.58)	(7.35)
Retained distributions on accumulation shares	4.40	5.65	7.58	7.35
After direct transaction costs of <sup>5</sup>	(0.12)	0.39	0.49	0.48
<b>Performance</b>				
Return after charges <sup>6</sup>	9.06%	25.01%	(13.17%)	7.95%
<b>Other information</b>				
Closing net asset value (£)	115,096,929	105,027,260	50,817,760	40,243,122
Closing number of shares	47,451,774	47,221,627	28,562,243	19,640,238
Operating charges ratio <sup>7</sup>	0.53%	0.54%	0.54%	0.55%
Direct transaction costs <sup>5</sup>	0.05%	0.21%	0.23%	0.24%
<b>Prices (p)</b>				
Highest share price	247.52	222.33	231.08	208.75
Lowest share price	222.49	169.68	155.24	183.35

**FTF Franklin UK Rising Dividends Fund** (continued)

<b>W – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	117.59	96.70	115.54	111.06
Return before operating charges <sup>2</sup>	10.96	24.53	(13.98)	9.35
Operating charges <sup>3</sup>	(0.33)	(0.60)	(0.64)	(0.63)
Return after operating charges <sup>4</sup>	10.63	23.93	(14.62)	8.72
Distributions	(2.32)	(3.04)	(4.22)	(4.24)
Closing net asset value per share	125.90	117.59	96.70	115.54
After direct transaction costs of <sup>5</sup>	(0.06)	0.21	0.27	0.28

**Performance**

Return after charges <sup>6</sup>	9.04%	24.75%	(12.65%)	7.85%
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**Other information**

Closing net asset value (£)	35,889,627	29,216,960	41,055,866	38,476,678
Closing number of shares	28,507,161	24,846,026	42,458,539	33,302,094
Operating charges ratio <sup>7</sup>	0.53%	0.54%	0.54%	0.55%
Direct transaction costs <sup>5</sup>	0.05%	0.21%	0.23%	0.24%

**Prices (p)**

Highest share price	129.73	118.30	127.65	121.52
Lowest share price	117.64	92.22	85.17	105.21

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	216.45	173.40	200.47	186.63
Return before operating charges <sup>2</sup>	(216.45)	44.41	(25.64)	15.89
Operating charges <sup>3</sup>	–	(1.36)	(1.43)	(2.05)
Return after operating charges <sup>4</sup>	(216.45)	43.05	(27.07)	13.84
Closing net asset value per share	–	216.45	173.40	200.47
Distributions	(2.01)	(5.50)	(7.40)	(7.21)
Retained distributions on accumulation shares	2.01	5.50	7.40	7.21
After direct transaction costs of <sup>5</sup>	–	0.41	0.48	0.47

**Performance**

Return after charges <sup>6</sup>	–	24.83%	(13.50%)	7.42%
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**Other information**

Closing net asset value (£)	–	131,037	231,514	314,329
Closing number of shares	–	60,541	133,511	156,799
Operating charges ratio <sup>7</sup>	–	0.69%	0.69%	1.05%
Direct transaction costs <sup>5</sup>	0.05%	0.21%	0.23%	0.24%

**Prices (p)**

Highest share price	240.73	216.36	225.31	204.89
Lowest share price	216.52	165.37	151.30	179.61

## FTF Franklin UK Rising Dividends Fund (continued)

Z – Income shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	115.02	94.73	113.62	109.77
Return before operating charges <sup>2</sup>	(113.95)	24.00	(13.95)	9.22
Operating charges <sup>3</sup>	–	(0.74)	(0.80)	(1.19)
Return after operating charges <sup>4</sup>	(113.95)	23.26	(14.75)	8.03
Distributions	(1.07)	(2.97)	(4.14)	(4.18)
Closing net asset value per share	–	115.02	94.73	113.62
After direct transaction costs of <sup>5</sup>	–	0.25	0.27	0.27
<b>Performance</b>				
Return after charges <sup>6</sup>	–	24.55%	(12.98%)	7.32%
<b>Other information</b>				
Closing net asset value (£)	–	2,461,248	2,353,554	2,900,999
Closing number of shares	–	2,139,818	2,484,618	2,553,308
Operating charges ratio <sup>7</sup>	–	0.69%	0.69%	1.05%
Direct transaction costs <sup>5</sup>	0.05%	0.21%	0.23%	0.24%
<b>Prices (p)</b>				
Highest share price	126.81	115.71	125.10	119.99
Lowest share price	115.06	90.34	83.44	103.61

- Shares converted to Class W shares on 13 September 2021.
- The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

## Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Rising Dividends Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 98.59% (98.19%)</b>		
	<b>AEROSPACE AND DEFENSE 3.71% (2.19%)</b>		
575,000	BAE Systems plc	3,277	2.17
720,000	QinetiQ Group plc	2,330	1.54
		<b>5,607</b>	<b>3.71</b>
	<b>BANKS 1.60% (1.74%)</b>		
158,000	Close Brothers Group plc	2,419	1.60
	<b>BEVERAGES 5.95% (6.04%)</b>		
250,000	Britvic plc	2,244	1.49
185,000	Diageo plc	6,730	4.46
		<b>8,974</b>	<b>5.95</b>
	<b>CHEMICALS 3.04% (3.17%)</b>		
85,000	Johnson Matthey plc	2,265	1.50
97,000	Victrex plc	2,332	1.54
		<b>4,597</b>	<b>3.04</b>
	<b>CONSUMER SERVICES 1.69% (1.56%)</b>		
165,000	Compass Group plc	2,555	1.69
	<b>ELECTRICITY 2.30% (2.23%)</b>		
220,000	SSE plc	3,473	2.30
	<b>ELECTRONIC AND ELECTRICAL EQUIPMENT 3.19% (3.04%)</b>		
135,000	IMI plc	2,250	1.49
66,000	Spectris plc	2,566	1.70
		<b>4,816</b>	<b>3.19</b>
	<b>FOOD PRODUCERS 3.52% (3.97%)</b>		
155,000	Associated British Foods plc	2,910	1.93
67,000	Cranswick plc	2,405	1.59
		<b>5,315</b>	<b>3.52</b>
	<b>GAS, WATER AND MULTI-UTILITIES 2.39% (2.43%)</b>		
402,000	National Grid plc	3,602	2.39
	<b>GENERAL INDUSTRIALS 1.80% (1.51%)</b>		
110,000	Bunzl plc	2,714	1.80
	<b>INDUSTRIAL ENGINEERING 1.58% (1.46%)</b>		
157,000	Vitec Group plc (The)	2,379	1.58
	<b>INDUSTRIAL METALS AND MINING 1.61% (2.03%)</b>		
275,000	Bodycote plc	2,430	1.61
	<b>INDUSTRIAL SUPPORT SERVICES 7.49% (6.88%)</b>		
50,000	DCC plc	3,114	2.06

## FTF Franklin UK Rising Dividends Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>INDUSTRIAL SUPPORT SERVICES (continued)</b>			
80,000	Diploma plc	2,309	1.53
225,000	Euromoney Institutional Investor plc	2,299	1.52
115,000	Experian plc	3,600	2.38
		<b>11,322</b>	<b>7.49</b>
<b>INDUSTRIAL TRANSPORTATION 1.58% (1.62%)</b>			
63,000	Clarkson plc	2,381	1.58
<b>INVESTMENT BANKING AND BROKERAGE SERVICES 8.47% (9.40%)</b>			
600,000	Brewin Dolphin Holdings plc	2,253	1.49
270,000	IG Group Holdings plc	2,183	1.45
122,000	Rathbone Brothers plc	2,440	1.62
85,000	Schroders plc	3,068	2.03
188,000	St James's Place plc	2,844	1.88
		<b>12,788</b>	<b>8.47</b>
<b>LIFE INSURANCE 3.83% (4.67%)</b>			
490,000	Phoenix Group Holdings plc	3,161	2.09
182,000	Prudential plc	2,627	1.74
		<b>5,788</b>	<b>3.83</b>
<b>MEDIA 7.19% (7.30%)</b>			
660,000	Bloomsbury Publishing plc	2,218	1.47
260,000	RELX plc	5,668	3.75
297,000	WPP plc	2,974	1.97
		<b>10,860</b>	<b>7.19</b>
<b>MEDICAL EQUIPMENT AND SERVICES 2.02% (1.93%)</b>			
235,000	Smith & Nephew plc	3,056	2.02
<b>NON-LIFE INSURANCE 1.69% (1.56%)</b>			
680,000	Beazley plc	2,553	1.69
<b>OIL, GAS AND COAL 4.35% (3.57%)</b>			
395,000	Royal Dutch Shell plc, A	6,568	4.35
<b>PERSONAL CARE, DRUG AND GROCERY STORES 7.53% (7.80%)</b>			
69,000	Reckitt Benckiser Group plc	4,061	2.69
180,000	Unilever plc	7,300	4.84
		<b>11,361</b>	<b>7.53</b>
<b>PERSONAL GOODS 1.93% (1.53%)</b>			
160,000	Burberry Group plc	2,912	1.93
<b>PHARMACEUTICALS AND BIOTECHNOLOGY 8.07% (7.60%)</b>			
84,000	AstraZeneca plc	7,511	4.98
330,000	GlaxoSmithKline plc	4,666	3.09
		<b>12,177</b>	<b>8.07</b>
<b>RETAILERS 3.39% (3.31%)</b>			
177,000	Dunelm Group plc	2,528	1.67

**FTF Franklin UK Rising Dividends Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>RETAILERS (continued)</b>		
31,500	Next plc	2,593	1.72
		<b>5,121</b>	<b>3.39</b>
	<b>SOFTWARE AND COMPUTER SERVICES 1.96% (1.78%)</b>		
415,000	Sage Group plc (The)	2,961	1.96
	<b>TOBACCO 4.92% (4.86%)</b>		
175,000	British American Tobacco plc	4,659	3.09
175,000	Imperial Brands plc	2,760	1.83
		<b>7,419</b>	<b>4.92</b>
	<b>TRAVEL AND LEISURE 1.79% (3.01%)</b>		
18,000	Flutter Entertainment plc	2,706	1.79
	<b>TOTAL - EQUITIES</b>	<b>148,854</b>	<b>98.59</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>148,854</b>	<b>98.59</b>
	<b>OTHER ASSETS</b>	<b>2,133</b>	<b>1.41</b>
	<b>TOTAL NET ASSETS</b>	<b>150,987</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.



## FTF Franklin UK Rising Dividends Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		10,352		6,440
Revenue	2,867		1,621	
Expenses	(414)		(302)	
Net revenue before taxation	2,453		1,319	
Taxation	(12)		10	
Net revenue after taxation		2,441		1,329
<b>Total return before distributions for the period</b>		<b>12,793</b>		<b>7,769</b>
Distributions		(2,789)		(1,580)
<b>Change in net assets attributable to shareholders</b>		<b>10,004</b>		<b>6,189</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>141,735</b>		<b>98,871</b>
Amounts received on creation of shares	17,619		44,291	
Amounts paid on cancellation of shares	(20,489)		(25,100)	
		(2,870)		19,191
Dilution adjustments		6		–
Change in net assets attributable to shareholders from investment activities (see above)		10,004		6,189
Retained distribution on accumulation shares		2,112		1,090
<b>Closing net assets attributable to shareholders</b>		<b>150,987</b>		<b>125,341</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	148,854	139,164
Current assets		
Debtors	987	1,134
Cash and bank balances	1,833	2,207
<b>Total assets</b>	<b>151,674</b>	<b>142,505</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(349)	(230)
Other creditors	(338)	(540)
<b>Total liabilities</b>	<b>(687)</b>	<b>(770)</b>
<b>Net assets attributable to shareholders</b>	<b>150,987</b>	<b>141,735</b>

## FTF Franklin UK Rising Dividends Fund

## Distribution Statement

## For the period 1 April 2021 to 30 June 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 June 2021

	Net Income p	Equalisation p	30 June 2021 Pence per Share p	30 June 2020 Pence per Share p
A Income Shares				
Group 1	4.3495	—	4.3495	2.3708
Group 2	1.4366	2.9129	4.3495	2.3708
W Accumulation Shares				
Group 1	2.0674	—	2.0674	0.9927
Group 2	1.0617	1.0057	2.0674	0.9927
W Income Shares				
Group 1	1.0940	—	1.0940	0.5409
Group 2	0.5960	0.4980	1.0940	0.5409
Z Accumulation Shares				
Group 1	2.0108	—	2.0108	0.9681
Group 2	0.6474	1.3634	2.0108	0.9681
Z Income Shares				
Group 1	1.0699	—	1.0699	0.5284
Group 2	0.1546	0.9153	1.0699	0.5284

## For the period 1 July 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 July 2021

Group 2 Shares purchased in the period 1 July 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Income Shares <sup>1</sup>				
Group 1	—	—	—	4.0656
Group 2	—	—	—	4.0656
W Accumulation Shares				
Group 1	2.3350	—	2.3350	1.8789
Group 2	1.3755	0.9595	2.3350	1.8789
W Income Shares				
Group 1	1.2241	—	1.2241	1.0158
Group 2	0.2973	0.9268	1.2241	1.0158
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	1.8302
Group 2	—	—	—	1.8302
Z Income Shares <sup>1</sup>				
Group 1	—	—	—	0.9946
Group 2	—	—	—	0.9946

## Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

# Investment Review

## Performance

In the six months to 30 September 2021, FTF Franklin UK Smaller Companies Fund (W(acc) shares) recorded a return of 18.38%, significantly outperforming the Numis Smaller Companies (ex Investment Trusts) Index, which returned 9.24%.

## Overview

Forward-looking indicators and sentiment started off the period showing good momentum but, towards the end of the third quarter, supply chain bottlenecks and inflationary fears caused investors to reassess. As a result of this, investors began to push out their positive forecasts further into the future, leaving a burgeoning gap in expectations and widespread corporate downgrades.

The performance of the mid-cap and FTSE 100 indices diverged significantly during the six months under review, as UK Gilt yields declined to lows of approximately 0.5%, providing headwinds to the financials-heavy large-cap index. However, this divergence reduced as yields crept back up above the 1.0% mark, with a subsequent boost to banks and the relative performance of the FTSE 100.

In the spring, leading indicators turned higher, with the purchasing managers' index ("PMI") briefly reaching levels above 60 (indicating significant expected growth) for both manufacturing and services sectors.

As the UK vaccination programme reached critical mass, the reopening of the economy in July did not lead to a significant spike in either COVID-19 cases or hospitalisations, and instead provided a positive backdrop for growth.

However, towards the end of the period it became apparent that the most positive of expectations for economic growth and corporate performance would be difficult to realise. As levels of demand across developed economies continued to recover, a bout of supply chain issues affected businesses across the board, from clothing manufacturers in Vietnam to fertiliser producers in the United Kingdom ("UK"). These supply chain issues, combined with (and related to) a dramatic increase in energy costs, all added to inflationary fears and weighed heavily on the expectations for corporates to offset higher input costs by raising prices.

September saw further evidence of the fiscal tightening forewarned by the UK government. The Conservative party unveiled a raft of new taxation measures aimed at repairing the health and social care system, which has seen much damage during the crisis. The new health and social care levy on employee earnings and employer payroll of 1.25% each, as well as an increase on dividend income tax of 1.25%, is aiming to raise £12 billion a year, which is 0.5% of gross domestic product ("GDP") or 0.6% of the current public sector net debt.

Against this backdrop, the broad UK equity market, as represented by the FTSE All-Share Index, rose almost 8% over the period under review. UK small-cap stocks slightly outperformed, with the Numis Smaller Companies (ex Investment Trusts) Index rising over 9% over the six-month period.

## Significant Changes

Top purchases over the period included Avon Protection, Big Technologies, Frontier Developments, Clarkson and Foresight Group Holdings Ltd.

We purchased a stake in protection equipment business Avon Protection. A period of share-price weakness, on the back of an earnings downgrade and delays to a new contract, left the shares looking attractively valued, in our view, given the significant growth opportunities. We participated in the successful, oversubscribed initial public offering of Big Technologies, which provides world-leading electronic-monitoring technology on a software-as-a-service basis primarily to criminal justice systems. We believe that the economic and wider social benefits of electronic monitoring is increasing global demand for its offering. In our opinion, Big Technologies' product leadership in both the hardware and software for electronic monitoring has driven the achievement of a high contract win rate.

Top sales included Sumo Group, Bodycote, Workspace Group, discoverIE Group and Alliance Pharma.

We disposed of our holding in thermal processing service business Bodycote. We had some concerns that the company's end markets, with nearly 30% exposure to automotive manufacturing, coupled with increasing energy costs in a high-energy-usage industry, would dampen profitability in the near term. We sold London flexible office space provider Workspace after the valuation had moved close to its net asset value. With rents falling for London office space, low occupancy and an uncertain view on the future role of the office environment, we decided to exit at what we believed was a fair value for the assets.

### Positive/Negative Contributors

At the sector level, stock selection in technology and financial services contributed to relative performance. Underweight allocations to and stock selection in the travel and leisure, and basic resources segments also added relative value. In contrast, an overweight exposure to personal care, drug and grocery stores and lack of exposure to banks weighed on relative returns, as did stock selection in and an underweight allocation to health care.

At the stock level, Big Technologies was the top contributor to relative returns. Its share price rose over 80%, helped by several government announcements supporting the technology's capability and wider roll-out opportunities. Electronic component designer and manufacturer discoverIE was another contributor to relative performance over the period under review. The shares advanced 57% after a strong set of first-half results led to analyst upgrades for expected performance for the full year. Digital marketing specialist dotdigital Group, which advanced 44% over the six-month period, was among the key contributors to relative returns. In the absence of any new company news, the share price was aided by a positive broker initiation on the company.

Avon Protection, whose share price fell over 38%, was among the main stock-level detractors over the period. The company warned that, due to delays in expected large orders for key programmes, full-year performance would be weaker than current consensus. Nonetheless, we view these issues as temporary and continue to hold a positive medium- to longer-term view.

### Outlook

As we move past what is likely the most acute stage of the COVID-19 pandemic, the second-order effects of this recovery are beginning to cause concern for investors.

Stagflation (high levels of inflation but low economic growth) has become a potential scenario. As economies have reopened, supply-chain bottlenecks and rising commodity prices have caused pockets of severe inflation (such as used car prices rising 18.3% year on year) as supply has not been able to keep up with excessive demand. In the UK, rising energy prices are likely to drive inflation higher into next year.

A specific point of contention is the increase in the energy-price cap in spring 2021, which could see energy prices rise by 30-40%, adding as much as 1% to inflation. We see this, along with higher levels of taxation through national insurance contributions, as examples of how the potential exit rate of growth from the pandemic may not be fully achieved.

Labour costs are undoubtedly the greatest challenge to our view of inflation. The unemployment rate at 4.5% is testament to the effectiveness of government policy during the pandemic, but we remain vigilant as to how the employment backdrop evolves going into 2022 as the furlough scheme is wound down.

Amid firming prices, central banks have taken a more hawkish tone, though this may not translate into policy changes. The Bank of England ("BoE") has a somewhat different policy framework to the US Federal Reserve ("Fed") and European Central Bank ("ECB"). The Fed and ECB target an average rate of inflation of 2% over the cycle, whereas the BoE targets an explicit 2% level, making it more justifiable to raise rates in the UK. As of October 2021, the market-implied base rate a year forward is around 80 basis points, from a current level of 0.10%. With UK GDP 3% below its pre-pandemic peak, and with a raft of fiscal tightening measures on the horizon, we see considerable risk that simultaneous monetary tightening may derail any further recovery.

Although this has been challenged, we continue to believe the bulk of inflationary pressures seen in the current data will drop out and that forecasts for inflation as high as 7% for 2022 will prove excessive. Elsewhere, we have been surprised by the increased government intervention in the UK across the private sector as the pandemic has subsided. We see this as a harbinger of risk should it continue. There is a limit to how much a government can step in to help failing companies and sectors. In our opinion, reducing competitiveness in an economy rarely results in the effective allocation of resources and beneficial outcomes over the longer run.

**Richard Bullas, Dan Green, CFA, Marcus Tregoning & Mark Hall**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin UK Smaller Companies Fund

A – Income shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	1,460.84	935.45	1,055.31	1,146.65
Return before operating charges <sup>2</sup>	(1,460.84)	544.08	(93.84)	(67.06)
Operating charges <sup>3</sup>	–	(18.69)	(17.93)	(18.25)
Return after operating charges <sup>4</sup>	(1,460.84)	525.39	(111.77)	(85.31)
Distributions	–	–	(8.09)	(6.03)
Closing net asset value per share	–	1,460.84	935.45	1,055.31
After direct transaction costs of <sup>5</sup>	–	1.07	0.68	1.62

**Performance**

Return after charges <sup>6</sup>	–	56.16%	(10.59%)	(7.44%)
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**Other information**

Closing net asset value (£)	–	8,838,727	6,667,025	13,196,250
Closing number of shares	–	605,042	712,708	1,250,463
Operating charges ratio <sup>7</sup>	–	1.57%	1.58%	1.58%
Direct transaction costs <sup>5</sup>	0.04%	0.09%	0.06%	0.14%

**Prices (p)**

Highest share price	1,825.50	1,474.79	1,312.84	1,256.18
Lowest share price	1,477.08	919.63	821.16	985.41

S - Accumulation shares <sup>8</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	1,000.00	n/a	n/a	n/a
Return before operating charges <sup>2</sup>	101.08	n/a	n/a	n/a
Operating charges <sup>3</sup>	(3.27)	n/a	n/a	n/a
Return after operating charges <sup>4</sup>	97.81	n/a	n/a	n/a
Closing net asset value per share	1,097.81	n/a	n/a	n/a
Distributions	(4.12)	n/a	n/a	n/a
Retained distributions on accumulation shares	4.12	n/a	n/a	n/a
After direct transaction costs of <sup>5</sup>	0.44	n/a	n/a	n/a

**Performance**

Return after charges <sup>6</sup>	9.78%	n/a	n/a	n/a
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**Other information**

Closing net asset value (£)	32,486	n/a	n/a	n/a
Closing number of shares	2,959	n/a	n/a	n/a
Operating charges ratio <sup>7</sup>	0.72%	n/a	n/a	n/a
Direct transaction costs <sup>5</sup>	0.04%	n/a	n/a	n/a

**Prices (p)**

Highest share price	1,164.90	n/a	n/a	n/a
Lowest share price	994.46	n/a	n/a	n/a

## FTF Franklin UK Smaller Companies Fund (continued)

S – Income shares <sup>8</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	1,000.00	n/a	n/a	n/a
Return before operating charges <sup>2</sup>	101.04	n/a	n/a	n/a
Operating charges <sup>3</sup>	(3.28)	n/a	n/a	n/a
Return after operating charges <sup>4</sup>	97.76	n/a	n/a	n/a
Distributions	(4.08)	n/a	n/a	n/a
Closing net asset value per share	1,093.68	n/a	n/a	n/a
After direct transaction costs of <sup>5</sup>	0.44	n/a	n/a	n/a

**Performance**

Return after charges <sup>6</sup>	9.78%	n/a	n/a	n/a
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**Other information**

Closing net asset value (£)	1,311,896	n/a	n/a	n/a
Closing number of shares	119,953	n/a	n/a	n/a
Operating charges ratio <sup>7</sup>	0.72%	n/a	n/a	n/a
Direct transaction costs <sup>5</sup>	0.04%	n/a	n/a	n/a

**Prices (p)**

Highest share price	1,164.85	n/a	n/a	n/a
Lowest share price	994.46	n/a	n/a	n/a

W – Accumulation shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	340.75	216.57	240.58	258.07
Return before operating charges <sup>2</sup>	63.44	126.47	(21.83)	(15.36)
Operating charges <sup>3</sup>	(1.59)	(2.29)	(2.18)	(2.13)
Return after operating charges <sup>4</sup>	61.85	124.18	(24.01)	(17.49)
Closing net asset value per share	402.60	340.75	216.57	240.58
Distributions	(1.39)	(0.76)	(3.82)	(3.29)
Retained distributions on accumulation shares	1.39	0.76	3.82	3.29
After direct transaction costs of <sup>5</sup>	0.16	0.25	0.16	0.36

**Performance**

Return after charges <sup>6</sup>	18.15%	57.34%	(9.98%)	(6.78%)
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**Other information**

Closing net asset value (£)	224,254,450	171,897,835	139,845,667	186,355,313
Closing number of shares	55,700,943	50,446,996	64,572,764	77,461,117
Operating charges ratio <sup>7</sup>	0.82%	0.82%	0.83%	0.83%
Direct transaction costs <sup>5</sup>	0.04%	0.09%	0.06%	0.14%

**Prices (p)**

Highest share price	427.23	343.99	302.47	283.15
Lowest share price	344.57	212.92	189.30	223.62

**FTF Franklin UK Smaller Companies Fund** (continued)

<b>W – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	162.09	103.25	116.63	126.76
Return before operating charges <sup>2</sup>	30.18	60.30	(10.48)	(7.48)
Operating charges <sup>3</sup>	(0.76)	(1.10)	(1.05)	(1.04)
Return after operating charges <sup>4</sup>	29.42	59.20	(11.53)	(8.52)
Distributions	(0.66)	(0.36)	(1.85)	(1.61)
Closing net asset value per share	190.85	162.09	103.25	116.63
After direct transaction costs of <sup>5</sup>	0.07	0.12	0.08	0.17

**Performance**

Return after charges <sup>6</sup>	18.15%	57.34%	(9.89%)	(6.72%)
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**Other information**

Closing net asset value (£)	117,505,146	121,275,444	95,922,816	96,536,969
Closing number of shares	61,568,527	74,819,786	92,907,245	82,771,843
Operating charges ratio <sup>7</sup>	0.82%	0.82%	0.83%	0.83%
Direct transaction costs <sup>5</sup>	0.04%	0.09%	0.06%	0.14%

**Prices (p)**

Highest share price	203.23	163.99	145.79	139.08
Lowest share price	163.91	101.51	91.24	109.33

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	334.76	213.19	237.30	255.06
Return before operating charges <sup>2</sup>	(334.76)	124.34	(21.45)	(15.15)
Operating charges <sup>3</sup>	–	(2.77)	(2.66)	(2.61)
Return after operating charges <sup>4</sup>	(334.76)	121.57	(24.11)	(17.76)
Closing net asset value per share	–	334.76	213.19	237.30
Distributions	–	(0.22)	(3.24)	(2.74)
Retained distributions on accumulation shares	–	0.22	3.24	2.74
After direct transaction costs of <sup>5</sup>	–	0.24	0.15	0.35

**Performance**

Return after charges <sup>6</sup>	–	57.02%	(10.16%)	(6.96%)
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**Other information**

Closing net asset value (£)	–	5,046,407	4,084,480	4,911,261
Closing number of shares	–	1,507,473	1,915,900	2,069,664
Operating charges ratio <sup>7</sup>	–	1.02%	1.03%	1.03%
Direct transaction costs <sup>5</sup>	0.04%	0.09%	0.06%	0.14%

**Prices (p)**

Highest share price	419.35	337.94	297.81	279.74
Lowest share price	338.51	209.60	186.35	220.68

1 Shares converted to Class W shares on 13 September 2021.

2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.



**FTF Franklin UK Smaller Companies Fund** (continued)

- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- 8 This share class launched on 30 April 2021.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin UK Smaller Companies Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 95.91% (99.05%)</b>		
	<b>AEROSPACE AND DEFENSE 4.85% (3.84%)</b>		
430,000	Avon Protection plc	8,286	2.42
2,600,000	Chemring Group plc	8,346	2.43
		<b>16,632</b>	<b>4.85</b>
	<b>BEVERAGES 1.31% (1.16%)</b>		
860,000	AG Barr plc	4,498	1.31
	<b>CLOSED END INVESTMENTS 2.65% (1.81%)</b>		
1,012,028	Gresham House plc <sup>#</sup>	9,108	2.65
	<b>CONSTRUCTION AND MATERIALS 3.66% (4.33%)</b>		
2,500,000	Volusion Group plc	12,550	3.66
	<b>CONSUMER DISCRETIONARY 1.08% (1.23%)</b>		
3,500,000	Restaurant Group plc (The)	3,703	1.08
	<b>FOOD PRODUCERS 1.68% (1.29%)</b>		
1,442,639	Hotel Chocolat Group plc <sup>#</sup>	5,771	1.68
	<b>HOUSEHOLD GOODS AND HOME CONSTRUCTION 4.83% (4.96%)</b>		
917,706	MJ Gleeson plc	7,158	2.09
4,100,000	Watkin Jones plc <sup>#</sup>	9,389	2.74
		<b>16,547</b>	<b>4.83</b>
	<b>INDUSTRIAL ENGINEERING 3.31% (3.04%)</b>		
750,000	Vitec Group plc (The)	11,363	3.31
	<b>INDUSTRIAL METALS AND MINING 0.00% (1.75%)</b>		
	<b>INDUSTRIAL SUPPORT SERVICES 10.80% (12.72%)</b>		
1,105,745	Midwich Group plc <sup>#</sup>	6,878	2.01
2,345,000	Restore plc <sup>#</sup>	11,256	3.28
929,100	Robert Walters plc	6,745	1.97
1,175,000	RWS Holdings plc <sup>#</sup>	7,450	2.17
2,100,000	Simplybiz Group plc (The) <sup>#</sup>	4,704	1.37
		<b>37,033</b>	<b>10.80</b>
	<b>INDUSTRIAL TRANSPORTATION 5.26% (3.79%)</b>		
300,300	Clarkson plc	11,351	3.31
10,359,500	Speedy Hire plc	6,692	1.95
		<b>18,043</b>	<b>5.26</b>
	<b>INVESTMENT BANKING AND BROKERAGE SERVICES 13.14% (11.77%)</b>		
480,000	Alpha FX Group plc <sup>#</sup>	9,504	2.77
2,040,000	Foresight Group Holdings Ltd.	8,894	2.59
1,771,413	JTC plc, Reg S	13,108	3.82
1,125,000	Polar Capital Holdings plc <sup>#</sup>	9,034	2.63

## FTF Franklin UK Smaller Companies Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>INVESTMENT BANKING AND BROKERAGE SERVICES (continued)</b>			
2,565,000	Premier Miton Group plc <sup>#</sup>	4,566	1.33
		<b>45,106</b>	<b>13.14</b>
<b>LEISURE GOODS 2.20% (3.06%)</b>			
210,400	Frontier Developments plc <sup>#</sup>	5,165	1.51
484,400	Sumo Group plc <sup>#</sup>	2,352	0.69
		<b>7,517</b>	<b>2.20</b>
<b>MEDIA 2.27% (1.87%)</b>			
3,250,000	Tinybuild, Inc., Reg S <sup>#</sup>	7,800	2.27
<b>NON-LIFE INSURANCE 2.97% (3.84%)</b>			
1,000,000	Conduit Holdings Ltd.	4,735	1.38
3,200,000	Randall & Quilter Investment Holdings Ltd. <sup>#</sup>	5,440	1.59
		<b>10,175</b>	<b>2.97</b>
<b>PERSONAL CARE, DRUG AND GROCERY STORES 3.04% (4.51%)</b>			
1,400,000	IG Design Group plc <sup>#</sup>	6,720	1.96
1,642,500	PZ Cussons plc	3,712	1.08
		<b>10,432</b>	<b>3.04</b>
<b>PHARMACEUTICALS AND BIOTECHNOLOGY 1.68% (3.27%)</b>			
450,000	Ergomed plc <sup>#</sup>	5,760	1.68
<b>REAL ESTATE INVESTMENT TRUSTS 2.26% (3.69%)</b>			
4,500,000	Urban Logistics REIT plc <sup>#§</sup>	7,740	2.26
<b>RETAILERS 2.92% (2.76%)</b>			
3,864,100	DFS Furniture plc	10,027	2.92
<b>SOFTWARE AND COMPUTER SERVICES 16.99% (12.91%)</b>			
633,351	Auction Technology Group plc	8,386	2.44
2,700,000	Big Technologies plc	9,477	2.76
1,000,000	Bytes Technology Group plc	5,105	1.49
4,000,000	dotdigital group plc <sup>#</sup>	9,760	2.84
2,906,000	Kin & Carta plc	8,369	2.44
3,300,000	NCC Group plc	8,514	2.48
900,000	Tracsis plc <sup>#</sup>	8,730	2.54
		<b>58,341</b>	<b>16.99</b>
<b>TECHNOLOGY HARDWARE AND EQUIPMENT 4.67% (5.80%)</b>			
1,107,878	DiscoverIE Group plc	11,633	3.39
341,600	Gooch & Housego plc <sup>#</sup>	4,407	1.28
		<b>16,040</b>	<b>4.67</b>
<b>TRAVEL AND LEISURE 4.34% (5.65%)</b>			
660,000	JET2 plc <sup>#</sup>	8,504	2.48
1,077,428	Patisserie Holdings plc	—	0.00
450,000	Young & Co's Brewery plc <sup>#</sup>	3,888	1.13

**FTF Franklin UK Smaller Companies Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>TRAVEL AND LEISURE (continued)</b>		
163,508	Young & Co's Brewery plc, A <sup>#</sup>	2,493	0.73
		<u>14,885</u>	<u>4.34</u>
	<b>TOTAL - EQUITIES</b>	<u>329,071</u>	<u>95.91</u>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>329,071</b>	<b>95.91</b>
	<b>OTHER ASSETS</b>	<u>14,033</u>	<u>4.09</u>
	<b>TOTAL NET ASSETS</b>	<u>343,104</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

<sup>#</sup> Traded on an alternative investment market.

<sup>\$</sup> Real Estate Investment Trust ("REIT").

## FTF Franklin UK Smaller Companies Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		50,813		33,843
Revenue	2,463		1,319	
Expenses	(1,374)		(1,102)	
Net revenue before taxation	1,089		217	
Taxation	39		29	
Net revenue after taxation		1,128		246
<b>Total return before distributions for the period</b>		<b>51,941</b>		<b>34,089</b>
Distributions		(1,167)		(5)
<b>Change in net assets attributable to shareholders</b>		<b>50,774</b>		<b>34,084</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>307,058</b>		<b>246,520</b>
Amounts received on creation of shares	59,724		19,693	
Amounts paid on cancellation of shares	(75,593)		(52,331)	
		(15,869)		(32,638)
Dilution adjustments		365		—
Change in net assets attributable to shareholders from investment activities (see above)		50,774		34,084
Retained distribution on accumulation shares		776		—
<b>Closing net assets attributable to shareholders</b>		<b>343,104</b>		<b>247,966</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	329,071	304,135
Current assets		
Debtors	6,624	1,000
Cash and bank balances	11,203	4,059
<b>Total assets</b>	<b>346,898</b>	<b>309,194</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	(413)	(267)
Other creditors	(3,381)	(1,869)
<b>Total liabilities</b>	<b>(3,794)</b>	<b>(2,136)</b>
<b>Net assets attributable to shareholders</b>	<b>343,104</b>	<b>307,058</b>

## FTF Franklin UK Smaller Companies Fund

## Distribution Statement

## For the period 1 April 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Income Shares <sup>1</sup>				
Group 1	—	—	—	4.3293
Group 2	—	—	—	4.3293
S Accumulation Shares				
Group 1	4.1163	—	4.1163	—
Group 2	1.7434	2.3729	4.1163	—
S Income Shares				
Group 1	4.0819	—	4.0819	—
Group 2	2.0663	2.0156	4.0819	—
W Accumulation Shares				
Group 1	1.3922	—	1.3922	1.4633
Group 2	0.6189	0.7733	1.3922	1.4633
W Income Shares				
Group 1	0.6624	—	0.6624	0.7095
Group 2	0.3244	0.3380	0.6624	0.7095
Z Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	1.3180
Group 2	—	—	—	1.3180

## Equalisation

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

# Investment Review

## Performance

For the six-month period ended 30 September 2021, FTF Franklin US Opportunities Fund (W(acc) shares) returned 18.90%, while its benchmark, the Russell 3000® Growth Index<sup>1</sup>, returned 14.76%.

## Market Overview

US equities, as measured by the Standard & Poor's® 500 Index, advanced for the six months ended 30 September 2021 as stocks benefitted from continued economic recovery, the ongoing implementation of COVID-19 vaccination programmes and easing pandemic restrictions. The percentage of the population that received at least one vaccine dose more than doubled during the six-month period. A rebound in corporate earnings and the US Senate's passage of a bipartisan infrastructure bill further bolstered investor sentiment, helping broad US equity indices to reach new all-time price highs late in the six-month period.

The US economy continued to recover amidst declining unemployment, solid wage growth and high business confidence. Gross domestic product growth was robust as strong consumer spending continued to support the economy. The ongoing growth of the US economy led it to surpass its pre-pandemic output in 2021's second quarter.

The inflation rate was elevated during the six-month period amidst increased demand and supply chain bottlenecks, with price pressures coming principally from areas particularly impacted by the shutdown, such as used vehicles, airfares, semiconductors and energy. The personal consumption expenditures price index, a measure of inflation, also rose dramatically during the period, representing the highest 12-month increase in decades. The unemployment rate declined from 6.0% in March 2021 to 4.8% in September 2021 as job openings increased, but a relative lack of available workers fuelled wage growth, adding to some investors' inflation concerns.

In an effort to support the economy, the US Federal Reserve ("Fed") kept the federal funds target rate at a record-low range of 0.00%–0.25%. The Fed also maintained quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended purchasing of US Treasuries and mortgage-backed securities. In its September 2021 meeting statement, the Fed indicated that it soon plans to reduce its purchases of these securities but did not provide a timetable. The Fed also maintained that it views inflation as partially transitory, and that further employment progress was needed before the Fed would consider raising the range for the federal funds target rate.

## Significant Changes

For the six-month period ended 30 September 2021, the information technology sector was the largest sector weighting in the fund and increased over the period, while other sectors weightings remained relatively stable.

The following positions were added to or increased during the reporting period: Marqeta, Amazon.com, Intuit, Sea Ltd. and Intuitive Surgical.

Marqeta is a payment platform that allows businesses to create customised credit cards that provide innovative payment experiences for end-users. The fintech company serves the growing need for card payment processing for digital banks, online and mobile services. We view Marqeta as a leading modern issuer processor for the innovation economy and a beneficiary of the ongoing digital transformation theme we are following. Amazon is the largest online retailer in the United States, selling a diversified set of products as well as producing consumer electronics and providing cloud computing services. We believe a combination of Amazon Prime subscription growth, grocery business expansion and the acceleration of Amazon Web Services can continue to generate strong results for Amazon. Intuit is a software company that specialises in financial products that include TurboTax, QuickBooks, Mint and Credit Karma. We believe Intuit offers high-value products with revenue-per-customer opportunity growth. In addition, the company's renewed focus on higher value offerings can drive operating margin improvement, in our view. Internet and mobile platform company Sea Limited specialises in online gaming services through its Digital Entertainment division, though it has also been making headway with its e-commerce and digital financial services segments. In particular, Sea manages a third-party marketplace through the Shopee mobile app and websites that connects buyers and sellers. These services have seen a notable rise in adoption by consumers as the company expands into more countries. Over the course of 2020, Intuitive Surgical encountered unexpected headwinds from the COVID-19 pandemic as hospitals deferred elective surgical procedures. While this led to a stock price decline, we don't see pandemic-related issues

1. Russell® is a trademark/servicemark of the Frank Russell Company.

as affecting the longer-term trend of robotic surgery and took this opportunity to add to our position.

Notable sales for the fund during the reporting period were Verisk Analytics, T-Mobile, Booking Holdings, Microsoft and Visa.

Verisk is a leading data analytics provider serving customers in insurance, energy, financial services and specialised markets. We exited our position due to challenges in their core insurance segment. Increased competitive intensity by AT&T and Verizon and recent data breaches and lawsuits led us to reduce our ownership in T-Mobile. Booking Holdings provides online travel and related solutions. The company offers services through the following brands: Booking.com, KAYAK, priceline, agoda, Rentalcars.com, and OpenTable. As the pace of reopening slowed due to the Delta variant, we expect travel-related spending to moderate for a longer-than-expected period of time. Microsoft is the world's leading software company. Strong growth in its Azure cloud business and a rise in gaming revenue have been growth drivers of stock performance. We reduced our large position to maintain a diversified portfolio. Lastly, Visa operates a global electronic payment network. The company has faced uncertainty about the timing and trajectory of cross-border travel recovery. We moderately reduced our overweight position in Visa after many years to rebalance the portfolio.

### Contributors and Detractors

The fund outperformed its benchmark index for the six-month reporting period ended 30 September 2021. Stock selection in the health care and information technology sectors contributed most to relative performance. In contrast, stock selection in the consumer staples and industrials sectors and an underweighting in the communication services sector detracted from relative returns.

The health care sector benefitted from West Pharmaceutical Services—a leading manufacturer of packaging components and delivery systems for injectable drugs and healthcare products. Strong organic sales growth and accelerated demand for products associated with COVID-19 have been a tailwind for the stock. Conversely, Heron Therapeutics faced US Food and Drug Administration hurdles for its non-opioid painkiller, which pressured stock performance.

The fund's top overall contributor was payment solutions provider Bill.com in the information technology sector. The company has been focused on the growing needs of smaller businesses to switch to cost- and time-saving digital bill payment technologies and has seen strong growth in subscription and transaction revenues as a result. The acquisition of a spend-management software company is a long-term opportunity for Bill.com, positioning it as an all-inclusive financial operating system for small- and medium-sized businesses. Graphic chips specialist NVIDIA was also amongst the top five contributors to relative returns. In contrast, payment processor Mastercard's stock was nearly flat for the period and our overweight was a drag on relative returns, while our underweight in the rising shares of software giant Microsoft also detracted.

In the financials sector, MSCI was a top contributor to standalone and relative returns. The company is a leading provider of investment decision support tools worldwide, including indices, analytical tools, data, real estate benchmarks and environmental, social and governance ("ESG") research. MSCI has been benefitting from the secular tailwind of the shift in the investment business to passive management, and the strong flows in exchange-traded funds ("ETFs") linked to the company's indices.

Elsewhere, commercial electric vehicle ("EV") company Proterra hindered relative performance in the industrials sector. We believe Proterra is well-positioned to benefit from the electrification of commercial vehicles by leveraging its position as a leading manufacturer of EV transit buses.

### Outlook

The economic rebound has moderated in recent months as a rise in COVID cases, specifically the Delta variant, created an uncertain outlook. We view this as a pause rather than a broad-based pullback and expect the US economic recovery to remain on track for the remainder of the year and into 2022. We continue to focus on what we consider high-quality businesses with sustainable growth drivers that may not be reflected in current valuations. Many of these investments are levered to strong secular growth themes that we believe will deliver consistent performance throughout the market cycle.

As we move from an analogue-based world to a digital one, numerous investment opportunities are being created across all sectors, not just the technology sector. In financials, the rise of many fintech ("financial technology") companies and the growth of digital payments has disrupted the traditional banking industry, creating new options for consumers. We view many fintech businesses as being in the early days of disruption with a potentially long runway for growth. In the health care sector,



biotechnology and genomics companies have shown tremendous promise with new and innovative treatments and cures, while the medical device and medical technology industries have been investing heavily in research and development to reimagine the health care system of the future.

Looking ahead, we will be paying close attention to how monetary policy changes, inflationary pressures and economic developments will play on market dynamics. We continue to look for investment opportunities that have the potential to deliver attractive total returns relative to risk.

**Grant Bowers & Sara Araghi, CFA**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Franklin US Opportunities Fund

A – Accumulation shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	651.32	464.36	459.13	392.46
Return before operating charges <sup>2</sup>	(651.32)	196.93	13.18	73.58
Operating charges <sup>3</sup>	–	(9.97)	(7.95)	(6.91)
Return after operating charges <sup>4</sup>	(651.32)	186.96	5.23	66.67
Closing net asset value per share	–	651.32	464.36	459.13
After direct transaction costs of <sup>5</sup>	–	0.06	0.05	0.09

**Performance**

Return after charges <sup>6</sup>	–	40.26%	1.14%	16.99%
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**Other information**

Closing net asset value (£)	–	11,734,722	7,378,342	9,089,479
Closing number of shares	–	1,801,691	1,588,931	1,979,721
Operating charges ratio <sup>7</sup>	–	1.59%	1.59%	1.59%
Direct transaction costs <sup>5</sup>	–	0.01%	0.01%	0.02%

**Prices (p)**

Highest share price	797.62	714.72	575.71	479.80
Lowest share price	642.86	443.09	429.07	377.36

W – Accumulation shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	419.58	296.93	291.39	247.22
Return before operating charges <sup>2</sup>	78.67	126.02	8.21	46.48
Operating charges <sup>3</sup>	(1.96)	(3.37)	(2.67)	(2.31)
Return after operating charges <sup>4</sup>	76.71	122.65	5.54	44.17
Closing net asset value per share	496.29	419.58	296.93	291.39
After direct transaction costs of <sup>5</sup>	–	0.04	0.03	0.05

**Performance**

Return after charges <sup>6</sup>	18.28%	41.31%	1.90%	17.87%
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**Other information**

Closing net asset value (£)	135,785,796	101,093,837	60,465,136	73,860,079
Closing number of shares	27,360,338	24,093,952	20,363,536	25,347,632
Operating charges ratio <sup>7</sup>	0.83%	0.84%	0.84%	0.84%
Direct transaction costs <sup>5</sup>	–	0.01%	0.01%	0.02%

**Prices (p)**

Highest share price	515.51	459.98	367.83	303.22
Lowest share price	414.55	283.34	274.32	239.02

## FTF Franklin US Opportunities Fund (continued)

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Y – Income shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	323.31	227.68	222.69	188.33
Return before operating charges <sup>2</sup>	60.68	96.70	6.15	35.52
Operating charges <sup>3</sup>	(0.06)	(0.11)	(0.10)	(0.08)
Return after operating charges <sup>4</sup>	60.62	96.59	6.05	35.44
Distributions	–	(0.96)	(1.06)	(1.08)
Closing net asset value per share	383.93	323.31	227.68	222.69
After direct transaction costs of <sup>5</sup>	–	0.03	0.02	0.04
<b>Performance</b>				
Return after charges <sup>6</sup>	18.75%	42.42%	2.72%	18.82%
<b>Other information</b>				
Closing net asset value (£)	7,548	6,356	4,476	4,378
Closing number of shares	1,966	1,966	1,966	1,966
Operating charges ratio <sup>7</sup>	0.03%	0.04%	0.04%	0.04%
Direct transaction costs <sup>5</sup>	–	0.01%	0.01%	0.02%
<b>Prices (p)</b>				
Highest share price	398.60	355.14	283.08	231.80
Lowest share price	319.78	217.27	211.26	183.17
<b>Z – Accumulation shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	699.85	495.45	487.17	414.16
Return before operating charges <sup>2</sup>	(699.85)	211.33	13.79	77.80
Operating charges <sup>3</sup>	–	(6.93)	(5.51)	(4.79)
Return after operating charges <sup>4</sup>	(699.85)	204.40	8.28	73.01
Closing net asset value per share	–	699.85	495.45	487.17
After direct transaction costs of <sup>5</sup>	–	0.07	0.05	0.09
<b>Performance</b>				
Return after charges <sup>6</sup>	–	41.26%	1.70%	17.63%
<b>Other information</b>				
Closing net asset value (£)	–	791,536	512,757	978,101
Closing number of shares	–	113,101	103,492	200,772
Operating charges ratio <sup>7</sup>	–	1.04%	1.04%	1.04%
Direct transaction costs <sup>5</sup>	–	0.01%	0.01%	0.02%
<b>Prices (p)</b>				
Highest share price	859.05	767.24	613.89	507.53
Lowest share price	691.23	472.77	457.75	399.83

**FTF Franklin US Opportunities Fund** (continued)

- 1 Shares converted to Class W shares on 13 September 2021.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

**Risk Profile (W(acc) shares)**



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Franklin US Opportunities Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>EQUITIES 99.07% (98.99%)</b>			
<b>APPAREL RETAIL 0.55% (0.60%)</b>			
3,055	Burlington Stores, Inc.	689	0.51
3,100	Olaplex Holdings, Inc.	56	0.04
		<b>745</b>	<b>0.55</b>
<b>APPLICATION SOFTWARE 14.15% (10.77%)</b>			
6,085	Adobe, Inc.	2,617	1.93
5,000	Amplitude, Inc., A	199	0.15
7,660	AppLovin Corp., A	423	0.31
3,200	Atlassian Corp. plc, A	923	0.68
4,092	Avalara, Inc.	535	0.39
16,196	Bill.com Holdings, Inc.	3,130	2.30
10,731	Black Knight, Inc.	569	0.42
11,600	CCC Intelligent Solutions Holdings, Inc.	89	0.07
2,629	CCC Intelligent Solutions Holdings, Inc. 14/08/2025	5	0.00
3,700	Confluent, Inc., A	162	0.12
5,668	DocuSign, Inc.	1,084	0.80
6,178	Intuit, Inc.	2,515	1.85
2,727	Paycom Software, Inc.	1,005	0.74
4,866	Procore Technologies, Inc.	318	0.23
12,304	PTC, Inc.	1,099	0.81
6,390	salesforce.com, Inc.	1,287	0.95
5,037	Synopsys, Inc.	1,135	0.84
1,893	Tyler Technologies, Inc.	641	0.47
4,804	Workday, Inc., A	892	0.66
6,732	Zendesk, Inc.	583	0.43
		<b>19,211</b>	<b>14.15</b>
<b>ASSET MANAGEMENT &amp; CUSTODY BANKS 0.11% (1.63%)</b>			
19,817	TPG Pace Beneficial II Corp., A	144	0.11
<b>AUTO PARTS &amp; EQUIPMENT 0.68% (0.72%)</b>			
8,215	Aptiv plc	921	0.68
<b>AUTOMOBILE MANUFACTURERS 1.44% (0.97%)</b>			
37,286	Lucid Group, Inc.	729	0.54
2,104	Tesla, Inc.	1,223	0.90
		<b>1,952</b>	<b>1.44</b>
<b>BIOTECHNOLOGY 1.32% (2.05%)</b>			
34,500	Ginkgo Bioworks Holdings, Inc.	313	0.23
6,900	Ginkgo Bioworks Holdings, Inc. 31/12/2027	19	0.01
64,457	Heron Therapeutics, Inc.	532	0.39
6,174	Novavax, Inc.	935	0.69
		<b>1,799</b>	<b>1.32</b>
<b>CABLE &amp; SATELLITE 0.56% (0.70%)</b>			
5,900	Liberty Broadband Corp., C	761	0.56
<b>CONSTRUCTION MACHINERY &amp; HEAVY TRUCKS 0.31% (0.00%)</b>			
55,804	Proterra, Inc.	425	0.31

**FTF Franklin US Opportunities Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>CONSUMER FINANCE 0.36% (0.00%)</b>		
40,827	SoFi Technologies, Inc.	487	0.36
	<b>DATA PROCESSING &amp; OUTSOURCED SERVICES 9.84% (10.70%)</b>		
8,935	Dlocal Ltd.	377	0.28
50,733	Marqeta, Inc., A	866	0.64
20,622	Mastercard, Inc., A	5,420	3.99
14,167	PayPal Holdings, Inc.	2,731	2.01
23,518	Visa, Inc., A	3,967	2.92
		<b>13,361</b>	<b>9.84</b>
	<b>DISTILLERS &amp; VINTNERS 0.73% (1.00%)</b>		
6,292	Constellation Brands, Inc., A	992	0.73
	<b>ELECTRIC UTILITIES 0.59% (0.65%)</b>		
13,775	NextEra Energy, Inc.	803	0.59
	<b>ENVIRONMENTAL &amp; FACILITIES SERVICES 0.53% (0.50%)</b>		
7,827	Republic Services, Inc.	714	0.53
	<b>FINANCIAL EXCHANGES &amp; DATA 4.53% (4.64%)</b>		
7,787	Intercontinental Exchange, Inc.	678	0.50
2,217	MarketAxess Holdings, Inc.	698	0.51
6,255	MSCI, Inc.	2,842	2.09
6,106	S&P Global, Inc.	1,939	1.43
		<b>6,157</b>	<b>4.53</b>
	<b>FOOTWEAR 1.29% (0.93%)</b>		
14,825	NIKE, Inc., B	1,611	1.19
6,200	On Holding AG, A	143	0.10
		<b>1,754</b>	<b>1.29</b>
	<b>HEALTH CARE EQUIPMENT 5.93% (4.89%)</b>		
9,851	Danaher Corp.	2,248	1.66
17,104	Edwards Lifesciences Corp.	1,445	1.06
3,770	IDEXX Laboratories, Inc.	1,766	1.30
2,547	Intuitive Surgical, Inc.	1,881	1.39
8,197	Nevro Corp.	713	0.52
		<b>8,053</b>	<b>5.93</b>
	<b>HEALTH CARE SERVICES 0.47% (0.54%)</b>		
7,065	Guardant Health, Inc.	637	0.47
	<b>HEALTH CARE SUPPLIES 2.56% (1.76%)</b>		
17,500	Figs, Inc., A	507	0.37
9,247	West Pharmaceutical Services, Inc.	2,975	2.19
		<b>3,482</b>	<b>2.56</b>
	<b>HEALTH CARE TECHNOLOGY 1.82% (1.88%)</b>		
11,764	Veeva Systems, Inc., A	2,478	1.82
	<b>HOTELS, RESORTS &amp; CRUISE LINES 0.00% (0.08%)</b>		
	<b>INDUSTRIAL CONGLOMERATES 1.63% (1.79%)</b>		
5,920	Honeywell International, Inc.	947	0.70
3,730	Roper Technologies, Inc.	1,265	0.93
		<b>2,212</b>	<b>1.63</b>

## FTF Franklin US Opportunities Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>INDUSTRIAL GASES 0.88% (0.96%)</b>		
5,375	Linde plc	1,196	0.88
	<b>INTERACTIVE HOME ENTERTAINMENT 0.55% (0.00%)</b>		
3,229	Sea Ltd., ADR <sup>†</sup>	749	0.55
	<b>INTERACTIVE MEDIA &amp; SERVICES 5.05% (4.51%)</b>		
2,312	Alphabet, Inc., A	4,624	3.41
3,312	Bumble, Inc., A	123	0.09
6,057	Facebook, Inc., A	1,531	1.13
12,643	ZoomInfo Technologies, Inc., A	577	0.42
		<b>6,855</b>	<b>5.05</b>
	<b>INTERNET &amp; DIRECT MARKETING RETAIL 7.68% (8.94%)</b>		
4,244	Amazon.com, Inc.	10,428	7.68
	<b>INTERNET SERVICES &amp; INFRASTRUCTURE 3.52% (3.70%)</b>		
5,447	Okta, Inc.	946	0.70
1,568	Shopify, Inc., A	1,570	1.16
1,669	Snowflake, Inc., A	365	0.27
8,102	Twilio, Inc., A	1,886	1.39
		<b>4,767</b>	<b>3.52</b>
	<b>LIFE SCIENCES TOOLS &amp; SERVICES 1.58% (1.41%)</b>		
3,493	Illumina, Inc.	1,070	0.79
3,800	Maravai LifeSciences Holdings, Inc., A	137	0.10
77,886	Wuxi Biologics Cayman, Inc., Reg S	941	0.69
		<b>2,148</b>	<b>1.58</b>
	<b>MANAGED HEALTH CARE 1.68% (2.01%)</b>		
7,644	UnitedHealth Group, Inc.	2,278	1.68
	<b>MOVIES &amp; ENTERTAINMENT 0.52% (0.66%)</b>		
5,539	Walt Disney Co. (The)	712	0.52
	<b>PACKAGED FOODS &amp; MEATS 1.24% (1.54%)</b>		
8,169	Freshpet, Inc.	873	0.64
10,431	Lamb Weston Holdings, Inc.	478	0.35
16,154	Nomad Foods Ltd.	334	0.25
		<b>1,685</b>	<b>1.24</b>
	<b>PHARMACEUTICALS 1.28% (1.83%)</b>		
20,522	AstraZeneca plc, ADR <sup>†</sup>	912	0.67
8,243	Catalent, Inc.	823	0.61
		<b>1,735</b>	<b>1.28</b>
	<b>RAILROADS 0.94% (1.30%)</b>		
8,511	Union Pacific Corp.	1,277	0.94
	<b>RESEARCH &amp; CONSULTING SERVICES 2.77% (4.07%)</b>		
43,620	CoStar Group, Inc.	2,770	2.04
400	Legalzoom.com, Inc.	8	0.01
11,534	TransUnion	975	0.72
		<b>3,753</b>	<b>2.77</b>
	<b>RESTAURANTS 1.91% (1.68%)</b>		
1,373	Chipotle Mexican Grill, Inc.	1,886	1.39
5,300	Dutch Bros, Inc., A	177	0.13

**FTF Franklin US Opportunities Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>RESTAURANTS (continued)</b>		
6,388	Starbucks Corp.	533	0.39
		<b>2,596</b>	<b>1.91</b>
	<b>SEMICONDUCTORS 5.01% (4.04%)</b>		
7,758	Analog Devices, Inc.	975	0.72
5,326	Monolithic Power Systems, Inc.	1,921	1.41
25,640	NVIDIA Corp.	3,916	2.88
		<b>6,812</b>	<b>5.01</b>
	<b>SOFT DRINKS 0.76% (0.90%)</b>		
15,538	Monster Beverage Corp.	1,033	0.76
	<b>SPECIALIZED REITS 2.81% (2.58%)</b>		
3,270	American Tower Corp.†	657	0.48
12,768	SBA Communications Corp.‡	3,162	2.33
		<b>3,819</b>	<b>2.81</b>
	<b>SPECIALTY CHEMICALS 0.49% (0.58%)</b>		
4,189	Ecolab, Inc.	663	0.49
	<b>SYSTEMS SOFTWARE 7.04% (6.92%)</b>		
1,730	CrowdStrike Holdings, Inc., A	308	0.23
26,203	Microsoft Corp.	5,539	4.08
8,071	ServiceNow, Inc.	3,712	2.73
		<b>9,559</b>	<b>7.04</b>
	<b>TECHNOLOGY HARDWARE, STORAGE &amp; PERIPHERALS 3.45% (3.38%)</b>		
44,064	Apple, Inc.	4,685	3.45
	<b>WIRELESS TELECOMMUNICATION SERVICES 0.51% (1.18%)</b>		
7,221	T-Mobile US, Inc.	689	0.51
	<b>TOTAL - EQUITIES</b>	<b>134,527</b>	<b>99.07</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>134,527</b>	<b>99.07</b>
	<b>OTHER ASSETS</b>	<b>1,266</b>	<b>0.93</b>
	<b>TOTAL NET ASSETS</b>	<b>135,793</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.  
Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

† American Depositary Receipt.

‡ Real Estate Investment Trust ("REIT").



## FTF Franklin US Opportunities Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		21,144		30,768
Revenue	215		214	
Expenses	(584)		(436)	
Net expense before taxation	(369)		(222)	
Taxation	(30)		(30)	
Net expense after taxation		(399)		(252)
<b>Total return before distributions for the period</b>		<b>20,745</b>		<b>30,516</b>
<b>Change in net assets attributable to shareholders</b>		<b>20,745</b>		<b>30,516</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>113,626</b>		<b>68,361</b>
Amounts received on creation of shares	46,754		52,812	
Amounts paid on cancellation of shares	(45,332)		(44,805)	
		1,422		8,007
Change in net assets attributable to shareholders from investment activities (see above)		20,745		30,516
<b>Closing net assets attributable to shareholders</b>		<b>135,793</b>		<b>106,884</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	134,527	112,483
Current assets		
Debtors	1,388	572
Cash and bank balances	563	2,109
<b>Total assets</b>	<b>136,478</b>	<b>115,164</b>
<b>Liabilities</b>		
Creditors		
Other creditors	(685)	(1,538)
<b>Total liabilities</b>	<b>(685)</b>	<b>(1,538)</b>
<b>Net assets attributable to shareholders</b>	<b>135,793</b>	<b>113,626</b>

# Investment Review

## Performance

For the six-month period ended 30 September 2021, FTF Templeton Global Emerging Markets Fund (W(acc) shares) returned -6.16%, whilst the MSCI Emerging Markets Index returned -1.21% (both returns in UK sterling).

## Overview

Emerging market equities declined over the six-month review period, underperforming developed market stocks. Emerging market equities rose over the first half of the review period. Market sentiment swung between optimism and caution as investors weighed COVID-19 vaccine rollouts, economic reopenings and higher commodity prices against fresh COVID-19 outbreaks and rising inflation. Concerns that the US Federal Reserve could tighten monetary policy sooner than expected capped risk appetite somewhat. However, Emerging market equities weakened over the second half of the review period. A resurgence of COVID-19, a weaker outlook for global economic growth and higher US Treasury yields capped investors' risk appetite. China-related concerns, including regulatory curbs and a debt crisis at a major property developer, were additional headwinds.

## Significant Changes

In the last six months, the portfolio increased its holdings in Brazil, China and US-listed companies with exposure to emerging markets as we continued to identify companies with sustainable earnings power trading at a discount to their intrinsic worth. In terms of sectors, additions were undertaken in materials and real estate. New additions to the portfolio included Soulbrain, a major South Korean supplier of key chemicals for semiconductor and display manufacturing, China-based Keshun Waterproof Technologies, a producer of waterproof building materials, India-based Tata Consultancy Services, a global leader in IT services, consulting and business solutions, and China-based Guangzhou Tinci Materials Technology, a world-leading battery electrolyte producer. We also added to our existing high-conviction portfolio holdings with purchases in Tencent Music Entertainment, a leading online music and audio entertainment platform in China, and B3, one of the largest financial exchanges in South America.

The Fund reduced its investments in Taiwan, India and South Korea in favour of opportunities that we found more compelling. Sectors which experienced the largest sales were communication services, information technology (IT) and consumer staples. In terms of key sales, we closed positions in Flat Glass Group, a Chinese photovoltaic glass manufacturer and Indian coal producer, Coal India, and decreased holdings in Prosus, the international internet assets spin-off of South African internet and media group Naspers, Infosys, an Indian IT services company, and Unilever, a UK-based global consumer goods giant that generates a substantial share of its sales in emerging markets. Whilst we continue to hold sizeable positions, we also reduced exposure to TSMC, one of the world's leading semiconductor manufacturers, Naver Corporation, South Korea's largest search engine, and Tencent Holdings, one of the largest internet services companies in China, to increase diversification and better manage our risk profile.

## Positive/Negative Contributors

The Fund finished the reporting period lower in absolute terms. From a relative perspective, the Fund's performance trailed that of the benchmark index, which also moved lower over the six-month period.

From a sector perspective, stock selection in the consumer discretionary detracted the most from relative returns, followed by an overweight to communication services and selection amongst industrials. An underweight to energy also detracted, along with selection in consumer staples. In contrast, stock selection and an underweight to real estate added to relative returns. Selection in materials and an overweight to IT also contributed.

In the consumer discretionary sector, China-based e-commerce business Alibaba detracted the most. Shares fell as regulators stepped up their scrutiny of the internet industry through a series of actions, including scrutiny of monopolistic practices, algorithm usage and financial technology. Whilst Alibaba could face near-term pressure on its earnings power, we think that its e-commerce ecosystem remains one of the best in China and should continue to generate strong cash flows. Brilliance China Automotive also detracted. The company's stock has been suspended from trading since 31 March 2021. The impact on performance from a fair value adjustment, which is at a discount to its last traded price, contributed to negative relative performance. However, there has been no further negative news on the company, and we continue to monitor the company for any updates. China-based New Oriental Education & Technology was negatively impacted by regulatory changes in China's after-school tuition industry.

Amongst communication services stocks, China-based Tencent, one of the largest internet services companies in China, detracted as did its affiliate Tencent Music Entertainment amidst the country's ongoing regulatory clampdown. However, Russia-based internet firm Yandex boosted returns somewhat. Within the industrials sector, South Korea-based LG Corporation detracted.

An underweight to energy hindered performance. Not holding India-based Reliance Industries, which has energy and telecommunications operations, held back returns as its shares advanced. However, a position in Russia's Lukoil contributed. Lukoil gained on the back of an oil-price rally, as Brent crude prices reached their highest levels in three years. We believe that Lukoil's solid business model, cash-generating ability and strong focus on shareholder returns augur well for dividends and share buybacks. Within consumer staples, China's Health and Happiness (H&H) International held back overall relative returns.

In contrast, an underweight position and favourable stock selection in the underperforming real estate sector added to performance relative to the benchmark index in the review period. Materials benefitted from China-based Guangzhou Tinci Materials Technology as the battery electrolyte producer posted better-than-expected first-half 2021 earnings and projected strong growth ahead. We believe that the company's competitive advantages should position it to benefit from robust demand for batteries needed for electric vehicles and energy storage.

IT holdings, including China-based services business Longshine Technology added to returns. Taiwan's TSMC also moved higher over the period. Technology's role as a key economic engine has only strengthened during the pandemic. As technology has advanced, semiconductor chips have become a growing part of almost all consumer goods with the semiconductor industry experiencing a cyclical and secular boom as growing digitalisation powers a surge in demand. Although the sector, in general, fell from its recent peak on concerns around component shortages and the durability of a price and demand recovery, we maintain a positive long-term view on TSMC.

## Outlook

Emerging markets have seen progress in COVID-19 vaccine rollouts, but challenges such as the recent Chinese regulatory crackdown and further virus outbreaks have caused emerging market equities to generally underperform developed markets in the year to date. We still see reasons to be optimistic about emerging markets in the longer term, even as we are mindful of some near-term risks.

Regulatory changes in China have affected several industries, particularly internet-related stocks. Whilst the changes have elevated market volatility and fears of policy risks in China, we should stress that they do not have a uniform effect on all companies within a given industry. Therefore, it is crucial to assess the policies' impact on the long-term earnings power and intrinsic worth of companies individually.

COVID-19 and its more infectious variants are another area of concern. We had expected mobility to resume with rising vaccination rates, though that has not necessarily been the case in some countries. Also, whilst commodity prices have been very strong this year, they seem to be topping because of certain policy measures in China, as well as COVID-19's global resurgence. In addition, a rise in freight rates has weighed on margins for many export-oriented companies.

Nonetheless, we believe that the structural fundamentals for emerging markets remain attractive, and that emerging market equities offer good potential for investors. As a whole, debt levels in emerging markets remain much lower than in developed markets. Emerging markets equity valuations also appear cheap relative to those in the developed world. Moreover, emerging market companies have been generating more free cash flows, which could potentially contribute to upward reratings for emerging market stocks.

**Chetan Sehgal, CFA & Andrew Ness, CFA**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Templeton Global Emerging Markets Fund

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>A – Accumulation shares<sup>1</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	349.71	233.51	268.59	263.60
Return before operating charges <sup>2</sup>	(349.71)	121.16	(30.63)	9.11
Operating charges <sup>3</sup>	–	(4.96)	(4.45)	(4.12)
Return after operating charges <sup>4</sup>	(349.71)	116.20	(35.08)	4.99
Closing net asset value per share	–	349.71	233.51	268.59
Distributions	–	(1.52)	(3.73)	(1.83)
Retained distributions on accumulation shares	–	1.52	3.73	1.83
After direct transaction costs of <sup>5</sup>	–	0.25	0.14	0.18
<b>Performance</b>				
Return after charges <sup>6</sup>	–	49.76%	(13.06%)	1.89%
<b>Other information</b>				
Closing net asset value (£)	–	6,386,525	4,721,090	6,366,987
Closing number of shares	–	1,826,210	2,021,786	2,370,529
Operating charges ratio <sup>7</sup>	–	1.59%	1.60%	1.60%
Direct transaction costs <sup>5</sup>	0.05%	0.08%	0.05%	0.07%
<b>Prices (p)</b>				
Highest share price	361.78	379.82	306.96	270.49
Lowest share price	317.80	227.48	222.95	236.68

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>S - Accumulation shares<sup>8</sup></b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	1,000.00	n/a	n/a	n/a
Return before operating charges <sup>2</sup>	(77.37)	n/a	n/a	n/a
Operating charges <sup>3</sup>	(2.92)	n/a	n/a	n/a
Return after operating charges <sup>4</sup>	80.29	n/a	n/a	n/a
Closing net asset value per share	919.71	n/a	n/a	n/a
Distributions	–	n/a	n/a	n/a
Retained distributions on accumulation shares	–	n/a	n/a	n/a
After direct transaction costs of <sup>5</sup>	0.48	n/a	n/a	n/a
<b>Performance</b>				
Return after charges <sup>6</sup>	(8.03%)	n/a	n/a	n/a
<b>Other information</b>				
Closing net asset value (£)	3,304	n/a	n/a	n/a
Closing number of shares	359	n/a	n/a	n/a
Operating charges ratio <sup>7</sup>	0.58%	n/a	n/a	n/a
Direct transaction costs <sup>5</sup>	0.05%	n/a	n/a	n/a
<b>Prices (p)</b>				
Highest share price	1,005.70	n/a	n/a	n/a
Lowest share price	890.00	n/a	n/a	n/a

## FTF Templeton Global Emerging Markets Fund (continued)

	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>W – Accumulation shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	179.23	119.00	136.19	132.99
Return before operating charges <sup>2</sup>	(9.69)	61.83	(15.63)	4.63
Operating charges <sup>3</sup>	(0.90)	(1.60)	(1.56)	(1.43)
Return after operating charges <sup>4</sup>	(10.59)	60.23	(17.19)	3.20
Closing net asset value per share	168.64	179.23	119.00	136.19
Distributions	–	(1.66)	(2.60)	(1.58)
Retained distributions on accumulation shares	–	1.66	2.60	1.58
After direct transaction costs of <sup>5</sup>	0.09	0.13	0.07	0.09
<b>Performance</b>				
Return after charges <sup>6</sup>	(5.91%)	50.61%	(12.62%)	2.41%
<b>Other information</b>				
Closing net asset value (£)	20,308,077	17,028,822	12,488,252	14,400,833
Closing number of shares	12,041,946	9,501,033	10,494,618	10,574,165
Operating charges ratio <sup>7</sup>	0.99%	1.00%	1.10%	1.10%
Direct transaction costs <sup>5</sup>	0.05%	0.08%	0.05%	0.07%
<b>Prices (p)</b>				
Highest share price	185.50	194.54	156.27	136.59
Lowest share price	163.26	115.93	113.60	119.73
<b>Y – Income shares</b>				
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	168.19	112.60	132.00	130.38
Return before operating charges <sup>2</sup>	(9.07)	58.70	(15.35)	4.58
Operating charges <sup>3</sup>	(0.12)	(0.16)	(0.22)	(0.15)
Return after operating charges <sup>4</sup>	(9.19)	58.54	(15.57)	4.43
Distributions	–	(2.95)	(3.83)	(2.81)
Closing net asset value per share	159.00	168.19	112.60	132.00
After direct transaction costs of <sup>5</sup>	0.08	0.12	0.07	0.09
<b>Performance</b>				
Return after charges <sup>6</sup>	(5.46%)	51.99%	(11.80%)	3.40%
<b>Other information</b>				
Closing net asset value (£)	18,128,993	19,176,657	12,838,251	15,050,312
Closing number of shares	11,401,763	11,401,763	11,401,763	11,401,763
Operating charges ratio <sup>7</sup>	0.12%	0.11%	0.16%	0.12%
Direct transaction costs <sup>5</sup>	0.05%	0.08%	0.05%	0.07%
<b>Prices (p)</b>				
Highest share price	174.26	185.54	152.66	134.66
Lowest share price	153.77	109.69	111.16	117.98

**FTF Templeton Global Emerging Markets Fund** (continued)

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	177.55	118.08	135.28	132.24
Return before operating charges <sup>2</sup>	(177.55)	61.32	(15.52)	4.59
Operating charges <sup>3</sup>	–	(1.85)	(1.68)	(1.55)
Return after operating charges <sup>4</sup>	(177.55)	59.47	(17.20)	3.04
Closing net asset value per share	–	177.55	118.08	135.28
Distributions	–	(1.39)	(2.44)	(1.44)
Retained distributions on accumulation shares	–	1.39	2.44	1.44
After direct transaction costs of <sup>5</sup>	–	0.12	0.07	0.09
<b>Performance</b>				
Return after charges <sup>6</sup>	–	50.36%	(12.71%)	2.30%
<b>Other information</b>				
Closing net asset value (£)	–	626,436	422,551	485,655
Closing number of shares	–	352,820	357,848	359,008
Operating charges ratio <sup>7</sup>	–	1.19%	1.20%	1.20%
Direct transaction costs <sup>5</sup>	0.05%	0.08%	0.05%	0.07%
<b>Prices (p)</b>				
Highest share price	183.73	192.75	155.10	135.79
Lowest share price	161.60	115.03	112.73	118.98

- Shares converted to Class W shares on 13 September 2021.
- The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- This share class launched on 30 April 2021.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed

**Risk Profile (W(acc) shares)**



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Templeton Global Emerging Markets Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 98.94% (97.91%)</b>		
	<b>AFRICA 1.84% (4.60%)</b>		
	<b>KENYA</b>		
47,500	East African Breweries Ltd.	55	0.14
	<b>SOUTH AFRICA</b>		
90,581	Massmart Holdings Ltd.	275	0.71
3,098	Naspers Ltd., N	380	0.99
		<b>655</b>	<b>1.70</b>
	<b>TOTAL - AFRICA</b>	<b>710</b>	<b>1.84</b>
	<b>ASIA 76.98% (76.05%)</b>		
	<b>CAMBODIA</b>		
197,838	NagaCorp Ltd.	126	0.33
	<b>CHINA</b>		
175,279	Alibaba Group Holding Ltd.	2,382	6.20
510,400	BAIC Motor Corp. Ltd., H, Reg S	131	0.34
2,095	Baidu, Inc., ADR <sup>†</sup>	237	0.62
1,323,000	Brilliance China Automotive Holdings Ltd.	426	1.11
94,940	China Merchants Bank Co. Ltd., A	551	1.43
50,849	China Merchants Bank Co. Ltd., H	301	0.78
583,600	China Resources Cement Holdings Ltd.	419	1.09
118,844	China Resources Land Ltd.	372	0.97
6,500	COSCO SHIPPING Ports Ltd.	4	0.01
9,884	Daqo New Energy Corp., ADR <sup>†</sup>	385	1.00
85,900	Greentown Service Group Co. Ltd., Reg S	69	0.18
40,810	Guangzhou Tinci Materials Technology Co. Ltd., A	715	1.86
78,200	Health & Happiness H&H International Holdings Ltd.	138	0.36
226,368	Keshun Waterproof Technologies Co. Ltd., A	399	1.04
90,321	Longshine Technology Group Co. Ltd., A	269	0.70
3,260	NetEase, Inc., ADR <sup>†</sup>	198	0.51
25,348	New Oriental Education & Technology Group, Inc., ADR <sup>†</sup>	35	0.09
143,200	Ping An Bank Co. Ltd., A	296	0.77
57,348	Ping An Insurance Group Co. of China Ltd., H	292	0.76
7,983	Prosus NV	475	1.24
54,415	Tencent Holdings Ltd.	2,399	6.24
50,727	Tencent Music Entertainment Group, ADR <sup>†</sup>	264	0.69
364,205	Uni-President China Holdings Ltd.	258	0.67
49,412	Weifu High-Technology Group Co. Ltd., B	70	0.18
		<b>11,085</b>	<b>28.84</b>
	<b>INDIA</b>		
4,300	ACC Ltd.	97	0.25
10,749	Bajaj Holdings & Investment Ltd.	518	1.35
253,362	ICICI Bank Ltd.	1,781	4.63
15,027	Infosys Ltd.	253	0.66
12,271	Tata Consultancy Services Ltd.	464	1.21

**FTF Templeton Global Emerging Markets Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>INDIA (continued)</b>		
18,450	Tata Investment Corp. Ltd.	252	0.65
		<b>3,365</b>	<b>8.75</b>
	<b>INDONESIA</b>		
1,022,000	Astra International Tbk. PT	291	0.76
	<b>PAKISTAN</b>		
45,968	MCB Bank Ltd.	32	0.09
170,300	United Bank Ltd.	89	0.23
		<b>121</b>	<b>0.32</b>
	<b>PHILIPPINES</b>		
17,405	BDO Unibank, Inc.	28	0.07
	<b>SOUTH KOREA</b>		
13,095	Fila Holdings Corp.	351	0.91
5,195	GS Retail Co. Ltd.	106	0.28
697	Hankook Tire & Technology Co. Ltd.	19	0.05
15,484	KT Skylife Co. Ltd.	97	0.25
4,258	LegoChem Biosciences, Inc.	130	0.34
15,929	LG Corp.	930	2.42
6,164	NAVER Corp.	1,501	3.90
2,271	POSCO	470	1.22
80,165	Samsung Electronics Co. Ltd.	3,728	9.70
16,497	Samsung Life Insurance Co. Ltd.	760	1.98
2,137	Soulbrain Co. Ltd.	366	0.95
		<b>8,458</b>	<b>22.00</b>
	<b>TAIWAN</b>		
189,292	Hon Hai Precision Industry Co. Ltd.	531	1.38
50,558	MediaTek, Inc.	1,224	3.19
23,006	PChome Online, Inc.	81	0.21
241,894	Taiwan Semiconductor Manufacturing Co. Ltd.	3,753	9.76
		<b>5,589</b>	<b>14.54</b>
	<b>THAILAND</b>		
124,747	Kasikornbank PCL	364	0.95
92,501	Kiatnakin Phatra Bank PCL	111	0.29
142,800	Thai Beverage PCL	51	0.13
		<b>526</b>	<b>1.37</b>
	<b>TOTAL - ASIA</b>	<b>29,589</b>	<b>76.98</b>
	<b>CENTRAL AMERICA 1.60% (1.36%)</b>		
	<b>MEXICO</b>		
133,916	Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santand, ADR <sup>†</sup>	559	1.45
295,688	Nemak SAB de CV, Reg S	57	0.15
		<b>616</b>	<b>1.60</b>
	<b>TOTAL - CENTRAL AMERICA</b>	<b>616</b>	<b>1.60</b>
	<b>EUROPE - NON EU 7.90% (5.99%)</b>		
	<b>RUSSIA</b>		
20,142	Gazprom PJSC, ADR <sup>†</sup>	149	0.39
14,020	LUKOIL PJSC, ADR <sup>†</sup>	991	2.58
9,989	Mail.Ru Group Ltd., GDR, Reg S <sup>^</sup>	152	0.39



## FTF Templeton Global Emerging Markets Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>RUSSIA (continued)</b>		
66,165	Sberbank of Russia PJSC, ADR <sup>†</sup>	900	2.34
14,388	Yandex NV, A	846	2.20
		<b>3,038</b>	<b>7.90</b>
	<b>TOTAL - EUROPE - NON EU</b>	<b>3,038</b>	<b>7.90</b>
	<b>EUROPE - OTHER EU 0.84% (0.87%)</b>		
	<b>HUNGARY</b>		
15,916	Richter Gedeon Nyrt.	323	0.84
	<b>TOTAL - EUROPE - OTHER EU</b>	<b>323</b>	<b>0.84</b>
	<b>MIDDLE EAST 0.19% (0.20%)</b>		
	<b>TURKEY</b>		
28,000	Migros Ticaret A/S	73	0.19
	<b>TOTAL - MIDDLE EAST</b>	<b>73</b>	<b>0.19</b>
	<b>NORTH AMERICA 1.54% (1.00%)</b>		
	<b>UNITED STATES OF AMERICA</b>		
10,511	Cognizant Technology Solutions Corp., A	591	1.54
	<b>TOTAL - NORTH AMERICA</b>	<b>591</b>	<b>1.54</b>
	<b>SOUTH AMERICA 6.54% (5.68%)</b>		
	<b>BRAZIL</b>		
37,024	Americanas SA	159	0.41
191,108	B3 SA - Brasil Bolsa Balcao	335	0.87
208,918	Banco Bradesco SA, ADR Preference <sup>†</sup>	597	1.55
178,777	Itau Unibanco Holding SA, ADR Preference <sup>†</sup>	704	1.83
7,200	M Dias Branco SA	33	0.09
8,700	TOTVS SA	42	0.11
45,590	Vale SA	475	1.24
		<b>2,345</b>	<b>6.10</b>
	<b>PERU</b>		
10,229	Intercorp Financial Services, Inc.	169	0.44
	<b>TOTAL - SOUTH AMERICA</b>	<b>2,514</b>	<b>6.54</b>
	<b>UNITED KINGDOM 1.51% (2.16%)</b>		
14,300	Unilever plc	580	1.51
	<b>TOTAL - UNITED KINGDOM</b>	<b>580</b>	<b>1.51</b>
	<b>TOTAL - EQUITIES</b>	<b>38,034</b>	<b>98.94</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>38,034</b>	<b>98.94</b>
	<b>OTHER ASSETS</b>	<b>406</b>	<b>1.06</b>
	<b>TOTAL NET ASSETS</b>	<b>38,440</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

<sup>†</sup> American Depositary Receipt.

<sup>^</sup> Global Depositary Receipt.

## FTF Templeton Global Emerging Markets Fund

**Statement of Total Return**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital (losses)/gains		(2,678)		8,216
Revenue	558		516	
Expenses	(143)		(135)	
Net revenue before taxation	415		381	
Taxation	(136)		(46)	
Net revenue after taxation		279		335
<b>Total return before distributions for the period</b>		<b>(2,399)</b>		<b>8,551</b>
Distributions		(7)		(1)
<b>Change in net assets attributable to shareholders</b>		<b>(2,406)</b>		<b>8,550</b>

**Statement of Change in Net Assets Attributable to Shareholders**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>43,219</b>		<b>30,470</b>
Amounts received on creation of shares	2,266		1,856	
Amounts paid on cancellation of shares	(5,285)		(2,329)	
		(3,019)		(473)
Dilution adjustments		646		–
Change in net assets attributable to shareholders from investment activities (see above)		(2,406)		8,550
<b>Closing net assets attributable to shareholders</b>		<b>38,440</b>		<b>38,547</b>

**Balance sheet**

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	38,034	42,315
Current assets		
Debtors	142	372
Cash and bank balances	646	1,042
<b>Total assets</b>	<b>38,822</b>	<b>43,729</b>
<b>Liabilities</b>		
Creditors		
Distributions payable	–	(336)
Other creditors	(382)	(174)
<b>Total liabilities</b>	<b>(382)</b>	<b>(510)</b>
<b>Net assets attributable to shareholders</b>	<b>38,440</b>	<b>43,219</b>

# Investment Review

## Performance

For the six-month period ended 30 September 2021, FTF Templeton Global Total Return Bond Fund (W(acc)-H3 shares) returned (1.09%)\* (in UK sterling), while the benchmark Bloomberg Multiverse Index returned 0.53% (in US dollars).

## Overview

During the six-month reporting period, the US dollar ("USD") finished the period broadly stronger against most developed market and emerging market currencies, with some exceptions. Broad USD strength was most pronounced in September as the US Federal Reserve ("Fed") shifted in a hawkish direction, signalling that tapering of its asset purchases would likely begin in the fourth quarter of 2021 and be completed around mid-2022. Waves of risk aversion also resurfaced in several asset classes during the last month of the period on varying concerns, including defaults in China's real estate sector, surging energy costs and fuel supply constraints in Europe, and political deadlock in the US over the debt ceiling.

Sovereign bonds yields pulled back from their late March peaks in several regions during the first half of the six-month period, before generally trending higher in the late summer months as central banks increasingly pivoted towards concurrent monetary tightening cycles. On the whole, sovereign bond yields moderately rose across core Europe and the United Kingdom, but finished lower in the US, Canada and Australia. The yield on the 10-year US Treasury ("UST") note declined 25 basis points ("bps") to 1.49% in the reporting period, while the yield on the 10-year German Bund rose nine bps to -0.20%.

In emerging markets, yields rose sharply across much of Latin America, including Brazil, Chile, Colombia and Peru, and in peripheral Europe, including Hungary, Poland and Russia. Yield shifts were comparatively more constrained in much of Asia, finishing moderately higher in South Korean and India, but moderately lower in China, Indonesia and Thailand.

Manufacturing and business surveys significantly improved across much of the globe during the first half of the period, remaining at expansionary levels throughout the summer but pulling back from their mid-year peaks in August and September. Consumer confidence surveys have shown similar trends. Labour market conditions have generally continued to improve in many countries, though unemployment remains above pre-pandemic levels in many regions.

Inflation figures remained elevated in many countries during the reporting period, driven by a combination of factors that included cyclical upswings associated with resurgent economic activity, supply bottlenecks in certain sectors and base effects off of the pandemic shocks in 2020. A number of emerging market countries are facing persistent inflationary pressures that may force faster tightening responses from their central banks. Globally, areas of Latin America, such as Brazil, Mexico and Peru, have experienced inflation that is more than 2% above the upper bound of their central bank's inflation targets. In Asia, inflation levels have been more contained in several countries, notably including China, Indonesia and Thailand.

The Fed kept the federal funds target rate unchanged (0.00% to 0.25%) at each of its policy meetings during the period, but signalled in September that tapering of its asset purchases could begin at the November meeting. The updated dot plot survey of 18 Fed officials at the September meeting reflected a nine to nine split on whether rate hikes would begin in 2022 or 2023. We expect moderate upward pressure on intermediate- to longer-term UST yields in upcoming quarters, on a measured pace of policy normalisation from the Fed. However, shifts in inflation and economic activity over the upcoming year could alter the anticipated timelines. Additionally, a more hawkish shift from the Fed could have a stronger effect on yields and the valuation of the USD.

The European Central Bank ("ECB") kept monetary policy largely unchanged during the quarter, leaving the main refinancing operations rate at 0.0% and the main deposit facility rate at -0.5%. However, the policy committee announced a moderate reduction in the pace and volume of bond purchases under the pandemic emergency purchase programme at its September meeting. The total size of the €1.85 trillion programme and its scheduled conclusion in March 2022 remained intact.

The Bank of Japan kept monetary policy unchanged during the period, leaving the overnight interest rate at -0.1% and the yield target on the 10-year Japanese government bond at 0.0%. There have been no indications of expected rate adjustments or asset purchase tapering. Fumio Kishida was elected prime minister in September. His government is expected to maintain stability in monetary policy and international policy in the years ahead.

\* Figure differs from comparative table performance due to alternative calculation methodology used.

## Significant Changes

The top five buys during the year were:

1. Japan Treasury Bill 0.000% 22/03/2022
2. Korea Treasury 0.875% 10/12/2023
3. US Treasury Bill 0.000% 27/01/2022
4. Brazil Letras do Tesouro Nacional 0.000% 01/07/2024
5. Brazil Letras do Tesouro Nacional 0.000% 01/01/2025

The top five sells during the six-month period were:

1. Japan Treasury Bill 0.000% 25/05/2021
2. Mexican Bonos, 6.500%, 09/06/2022
3. Korea Treasury, 4.250%, 10/06/2021
4. Japan Treasury Bill 0.000% 22/11/2021
5. Japan Treasury Bill 0.000% 22/03/2022

## Positive/Negative Contributors

For the six-month period ended 30 September 2021, currency positions detracted from the Fund's relative performance. Interest-rate strategies contributed to relative results, while overall credit exposures had a largely neutral effect.

Amongst currencies, overweighted positions in Latin America (the Argentine peso and Chilean peso) and Asia ex Japan (the South Korean won) detracted from relative performance.

Amongst credit exposures, the Fund's overweighted exposure to subinvestment-grade sovereign bonds contributed to relative results, while underweighted exposure to investment-grade corporate bonds detracted.

The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America (Argentina) and Asia ex Japan (Indonesia) contributed to relative performance.

## Outlook

We expect macroeconomic conditions in much of the world to continue to improve through the remainder of 2021 into 2022. However, economic recoveries are likely to remain uneven as countries are at different stages of handling the pandemic. Several emerging markets continue to lag the rest of the world in distributing vaccines, while others, like Chile, are close to the levels of developed markets. Some countries have begun to transition towards a post-COVID order, providing third dose booster shots, developing non-vaccine treatments and/or pivoting towards a policy stance of "living with COVID" to move beyond the damaging cycles of lockdowns and reopenings. On the whole, we remain optimistic for the ongoing global recovery, particularly for a number of emerging markets that stand to benefit from strong trade dynamics.

While conditions appear broadly supportive of strategic rotations into risk assets, it remains crucial to be highly selective at the sovereign level given significant variations in economic conditions and policy responses. Risks to the global recovery include potential setbacks in vaccinations, particularly in emerging markets, as well as COVID-19 variants that have the potential to extend the duration and damage of the pandemic in certain regions.

Structural risks associated with massive fiscal spending and excessive monetary accommodation also remain a medium- to longer-term concern in several countries. Debt levels have risen significantly in just about every country. Additionally, financial market overreliance on extraordinary monetary accommodation creates the preconditions for a potential financial market shock when policy begins to normalise. While our base case sees measured monetary tightening from the Fed and other major central banks that should avoid a repeat of the 2013 taper tantrum, we do anticipate scattered episodes of volatility as the world transitions from the massive fiscal stimulus and monetary accommodation of the last 18 months. Exiting the pandemic is unlikely to be a completely smooth transition.

We expect inflation figures to remain elevated in 2021 in many countries, driven by a combination of factors that include cyclical upswings associated with resurgent economic activity, supply bottlenecks in certain sectors and base effects off of the pandemic shocks in 2020. These factors should be largely transitory, in our view, with inflation levels eventually moderating

to secular trends in 2022, given elevated unemployment and automation factors that continue to dampen wage pressures. Additionally, a handful of sector components are having outsized impacts on the US inflation prints. As these component effects normalise, we would expect the headline figures to come down.

However, excessive monetary accommodation, massive fiscal stimulus in the US and resurgent growth present inflationary risks that bear monitoring. Additionally, upward adjustments to housing rents to narrow the historically wide gap with surging house prices, as well as labour market mismatches from massive job losses and all-time highs in job openings, have the potential to create additional price pressures. The true test will be whether any of these factors become persistent enough to feed into longer-term inflation expectations, which would create self-sustaining price pressures. We currently see conditions for inflation expectations to moderate as near-term spikes in the inflation figures eventually wane, but we also continue to monitor the risks that would cause inflation expectations to become unanchored.

Many central banks have begun considering when and at what pace to begin normalising policy. Specific emerging markets with inflation concerns have already begun raising rates, such as Brazil, Mexico, Chile, Peru, Russia and Hungary, while other countries are looking towards normalising policy to keep ahead of the curve, given strengthening economic conditions. A number of countries have indicated that rate hikes and/or asset-buying programme adjustments are likely to occur during the remainder of 2021. We expect a growing divergence on the monetary policy front as certain developed market central banks trend towards policy normalisation ahead of others, such as Norway, South Korea and New Zealand, while certain emerging market central banks are compelled to tighten policy to contend with rising inflationary pressures. Certain emerging markets have been able to stay ahead of the rate cycle, maintaining already high rates or hiking rates ahead of others, putting them in a stronger position to handle the upcoming global tightening cycle.

**Michael Hasenstab, PhD & Calvin Ho, PhD**

*Fund Managers*

30 September 2021

## Comparative Table, 30 September 2021

## FTF Templeton Global Total Return Bond Fund

A – Accumulation Hedge shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	104.06	108.74	124.75	129.32
Return before operating charges <sup>2</sup>	(104.06)	(3.22)	(14.39)	(2.89)
Operating charges <sup>3</sup>	–	(1.46)	(1.62)	(1.68)
Return after operating charges <sup>4</sup>	(104.06)	(4.68)	(16.01)	(4.57)
Closing net asset value per share	–	104.06	108.74	124.75
Distributions	(2.06)	(5.46)	(7.74)	(9.08)
Retained distributions on accumulation shares	2.06	5.46	7.74	9.08
After direct transaction costs of <sup>5</sup>	–	–	–	–
<b>Performance</b>				
Return after charges <sup>6</sup>	–	(4.30%)	(12.83%)	(3.53%)
<b>Other information</b>				
Closing net asset value (£)	–	6,165,703	8,716,096	11,368,558
Closing number of shares	–	5,924,889	8,015,209	9,112,799
Operating charges ratio <sup>7</sup>	–	1.34%	1.34%	1.34%
Direct transaction costs <sup>5</sup>	–	–	–	–
<b>Prices (p)</b>				
Highest share price	108.88	109.38	129.95	130.10
Lowest share price	102.90	104.08	107.94	118.16

A – Accumulation shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	179.08	205.93	220.07	208.11
Return before operating charges <sup>2</sup>	(179.08)	(24.13)	(11.16)	14.87
Operating charges <sup>3</sup>	–	(2.72)	(2.98)	(2.91)
Return after operating charges <sup>4</sup>	(179.08)	(26.85)	(14.14)	11.96
Closing net asset value per share	–	179.08	205.93	220.07
Distributions	(3.49)	(9.88)	(13.87)	(15.75)
Retained distributions on accumulation shares	3.49	9.88	13.87	15.75
After direct transaction costs of <sup>5</sup>	–	–	–	–
<b>Performance</b>				
Return after charges <sup>6</sup>	–	(13.04%)	(6.43%)	5.75%
<b>Other information</b>				
Closing net asset value (£)	–	1,030,382	2,228,398	3,286,698
Closing number of shares	–	575,378	1,082,139	1,493,450
Operating charges ratio <sup>7</sup>	–	1.34%	1.34%	1.34%
Direct transaction costs <sup>5</sup>	–	–	–	–
<b>Prices (p)</b>				
Highest share price	182.99	210.21	245.32	229.87
Lowest share price	178.37	178.81	204.01	204.05

## FTF Templeton Global Total Return Bond Fund (continued)

A – Income Hedge shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	71.16	78.19	96.05	107.49
Return before operating charges <sup>2</sup>	(69.75)	(2.16)	(10.80)	(2.73)
Operating charges <sup>3</sup>	–	(1.01)	(1.22)	(1.37)
Return after operating charges <sup>4</sup>	(69.75)	(3.17)	(12.02)	(4.10)
Distributions	(1.41)	(3.86)	(5.84)	(7.34)
Closing net asset value per share	–	71.16	78.19	96.05
After direct transaction costs of <sup>5</sup>	–	–	–	–
<b>Performance</b>				
Return after charges <sup>6</sup>	–	(4.05%)	(12.51%)	(3.81%)
<b>Other information</b>				
Closing net asset value (£)	–	722,989	808,874	1,013,927
Closing number of shares	–	1,015,991	1,034,561	1,055,678
Operating charges ratio <sup>7</sup>	–	1.34%	1.34%	1.34%
Direct transaction costs <sup>5</sup>	–	–	–	–
<b>Prices (p)</b>				
Highest share price	74.46	78.62	99.11	108.10
Lowest share price	68.98	72.37	78.18	96.04

A – Income shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	102.77	124.52	142.01	144.47
Return before operating charges <sup>2</sup>	(100.77)	(14.31)	(6.80)	10.14
Operating charges <sup>3</sup>	–	(1.57)	(1.87)	(1.97)
Return after operating charges <sup>4</sup>	(100.77)	(15.88)	(8.67)	8.17
Distributions	(2.00)	(5.87)	(8.82)	(10.63)
Closing net asset value per share	–	102.77	124.52	142.01
After direct transaction costs of <sup>5</sup>	–	–	–	–
<b>Performance</b>				
Return after charges <sup>6</sup>	–	(12.75%)	(6.11%)	5.66%
<b>Other information</b>				
Closing net asset value (£)	–	706,272	1,381,220	2,141,636
Closing number of shares	–	687,268	1,109,239	1,508,117
Operating charges ratio <sup>7</sup>	–	1.34%	1.34%	1.34%
Direct transaction costs <sup>5</sup>	–	–	–	–
<b>Prices (p)</b>				
Highest share price	104.64	127.11	155.16	154.30
Lowest share price	100.49	104.33	124.51	140.97

**FTF Templeton Global Total Return Bond Fund** (continued)

<b>W – Accumulation Hedge shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	86.44	89.37	101.79	104.90
Return before operating charges <sup>2</sup>	(0.59)	(2.21)	(11.64)	(2.30)
Operating charges <sup>3</sup>	(0.36)	(0.72)	(0.78)	(0.81)
Return after operating charges <sup>4</sup>	(0.95)	(2.93)	(12.42)	(3.11)
Closing net asset value per share	85.49	86.44	89.37	101.79
Distributions	(3.58)	(5.01)	(6.90)	(7.96)
Retained distributions on accumulation shares	3.58	5.01	6.90	7.96
After direct transaction costs of <sup>5</sup>	–	–	–	–

**Performance**

Return after charges <sup>6</sup>	(1.10%)	(3.28%)	(12.20%)	(2.96%)
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**Other information**

Closing net asset value (£)	11,391,187	3,139,230	8,051,288	10,730,200
Closing number of shares	13,324,922	3,631,585	9,009,033	10,541,280
Operating charges ratio <sup>7</sup>	0.82%	0.79%	0.79%	0.79%
Direct transaction costs <sup>5</sup>	–	–	–	–

**Prices (p)**

Highest share price	90.56	89.89	106.18	105.53
Lowest share price	85.59	86.45	88.70	96.16

<b>W – Accumulation shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	101.95	116.59	123.92	116.54
Return before operating charges <sup>2</sup>	1.86	(13.74)	(6.34)	8.34
Operating charges <sup>3</sup>	(0.44)	(0.90)	(0.99)	(0.96)
Return after operating charges <sup>4</sup>	1.42	(14.64)	(7.33)	7.38
Closing net asset value per share	103.37	101.95	116.59	123.92
Distributions	(4.18)	(6.24)	(8.60)	(9.52)
Retained distributions on accumulation shares	4.18	6.24	8.60	9.52
After direct transaction costs of <sup>5</sup>	–	–	–	–

**Performance**

Return after charges <sup>6</sup>	1.39%	(12.56%)	(5.92%)	6.33%
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**Other information**

Closing net asset value (£)	18,214,469	21,670,470	45,548,758	69,348,274
Closing number of shares	17,620,541	21,255,390	39,066,578	55,962,801
Operating charges ratio <sup>7</sup>	0.83%	0.79%	0.79%	0.79%
Direct transaction costs <sup>5</sup>	–	–	–	–

**Prices (p)**

Highest share price	104.41	119.10	138.39	129.34
Lowest share price	101.62	101.77	115.31	114.29



## FTF Templeton Global Total Return Bond Fund (continued)

W – Income Hedge shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	66.20	72.75	89.10	99.66
Return before operating charges <sup>2</sup>	(0.43)	(2.00)	(9.81)	(2.48)
Operating charges <sup>3</sup>	(0.29)	(0.56)	(0.67)	(0.75)
Return after operating charges <sup>4</sup>	(0.72)	(2.56)	(10.48)	(3.23)
Distributions	(2.71)	(3.99)	(5.87)	(7.33)
Closing net asset value per share	62.77	66.20	72.75	89.10
After direct transaction costs of <sup>5</sup>	–	–	–	–

**Performance**

Return after charges <sup>6</sup>	(1.09%)	(3.52%)	(11.76%)	(3.24%)
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**Other information**

Closing net asset value (£)	14,378,370	24,507,990	34,305,760	53,653,323
Closing number of shares	22,906,580	37,020,256	47,152,842	60,219,358
Operating charges ratio <sup>7</sup>	0.84%	0.79%	0.79%	0.79%
Direct transaction costs <sup>5</sup>	–	–	–	–

**Prices (p)**

Highest share price	69.37	73.17	91.98	100.24
Lowest share price	64.20	67.42	72.75	89.09

W – Income shares	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	69.26	83.95	95.75	97.42
Return before operating charges <sup>2</sup>	1.26	(9.65)	(4.58)	6.83
Operating charges <sup>3</sup>	(0.29)	(0.64)	(0.74)	(0.78)
Return after operating charges <sup>5</sup>	0.97	(10.29)	(5.32)	6.05
Distributions	(2.81)	(4.40)	(6.48)	(7.72)
Closing net asset value per share	67.42	69.26	83.95	95.75
After direct transaction costs of <sup>5</sup>	–	–	–	–

**Performance**

Return after charges <sup>6</sup>	1.40%	(12.26%)	(5.56%)	6.21%
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**Other information**

Closing net asset value (£)	5,243,271	6,191,876	14,070,036	23,845,563
Closing number of shares	7,777,103	8,939,527	16,759,537	24,902,837
Operating charges ratio <sup>7</sup>	0.84%	0.79%	0.79%	0.79%
Direct transaction costs <sup>5</sup>	–	–	–	–

**Prices (p)**

Highest share price	70.60	85.76	104.67	104.13
Lowest share price	67.76	70.40	83.95	95.19

**FTF Templeton Global Total Return Bond Fund** (continued)

<b>Y – Income shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	75.67	91.76	104.68	106.51
Return before operating charges <sup>1</sup>	1.36	(10.61)	(5.02)	7.48
Operating charges <sup>2</sup>	(0.06)	(0.07)	(0.09)	(0.10)
Return after operating charges <sup>3</sup>	1.30	(10.68)	(5.11)	7.38
Distributions	(3.32)	(5.41)	(7.81)	(9.21)
Closing net asset value per share	73.65	75.67	91.76	104.68
After direct transaction costs of <sup>4</sup>	–	–	–	–

**Performance**

Return after charges <sup>5</sup>	1.72%	(11.64%)	(4.88%)	6.93%
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**Other information**

Closing net asset value (£)	2,189	2,249	2,727	3,111
Closing number of shares	2,972	2,972	2,972	2,972
Operating charges ratio <sup>6</sup>	0.16%	0.09%	0.09%	0.09%
Direct transaction costs <sup>4</sup>	–	–	–	–

**Prices (p)**

Highest share price	77.25	93.82	114.50	113.92
Lowest share price	74.06	77.01	91.75	104.22

<b>Z – Accumulation shares<sup>1</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	172.03	197.12	209.93	197.82
Return before operating charges <sup>2</sup>	(172.03)	(23.19)	(10.72)	14.16
Operating charges <sup>3</sup>	–	(1.90)	(2.09)	(2.05)
Return after operating charges <sup>4</sup>	(172.03)	(25.09)	(12.81)	12.11
Closing net asset value per share	–	172.03	197.12	209.93
Distributions	(3.50)	(10.15)	(14.20)	(15.71)
Retained distributions on accumulation shares	3.50	10.15	14.20	15.71
After direct transaction costs of <sup>5</sup>	–	–	–	–

**Performance**

Return after charges <sup>6</sup>	–	(12.73%)	(6.10%)	6.12%
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**Other information**

Closing net asset value (£)	–	197,606	434,668	537,908
Closing number of shares	–	114,869	220,510	256,236
Operating charges ratio <sup>7</sup>	–	0.99%	0.99%	0.99%
Direct transaction costs <sup>5</sup>	–	–	–	–

**Prices (p)**

Highest share price	176.01	201.31	234.29	219.17
Lowest share price	171.43	171.74	195.08	194.00

## FTF Templeton Global Total Return Bond Fund (continued)

Z – Income Hedge shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	66.70	73.30	89.91	100.44
Return before operating charges <sup>2</sup>	(65.32)	(2.01)	(10.00)	(2.39)
Operating charges <sup>3</sup>	–	(0.72)	(0.85)	(0.94)
Return after operating charges <sup>4</sup>	(65.32)	(2.73)	(10.85)	(3.33)
Distributions	(1.38)	(3.87)	(5.76)	(7.20)
Closing net asset value per share	–	66.70	73.30	89.91
After direct transaction costs of <sup>5</sup>	–	–	–	–
<b>Performance</b>				
Return after charges <sup>6</sup>	–	(3.72%)	(12.07%)	(3.32%)
<b>Other information</b>				
Closing net asset value (£)	–	74,037	118,232	245,371
Closing number of shares	–	110,994	161,293	272,919
Operating charges ratio <sup>7</sup>	–	0.99%	0.99%	0.99%
Direct transaction costs <sup>5</sup>	–	–	–	–
<b>Prices (p)</b>				
Highest share price	69.84	73.72	92.79	101.02
Lowest share price	64.69	67.89	73.30	89.90

1 Shares converted to Class W shares on 13 September 2021.

2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".

3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.

4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".

5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.

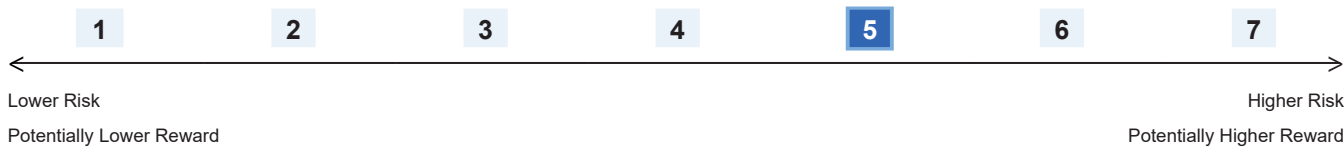
6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.

7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

FTF Templeton Global Total Return Bond Fund (continued)

Risk Profile (W(acc) shares)



Risk Profile (W(acc) - H3 shares)



This indicator, disclosed in the Key Investor Information Document (“KIID”), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the “Risk Factors” section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

## FTF Templeton Global Total Return Bond Fund

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 0.00% (0.00%)</b>		
	<b>AFRICA 0.00% (0.00%)</b>		
	<b>SOUTH AFRICA</b>		
60,579	K2016470219 SA Ltd. <sup>£</sup>	—	0.00
12,082,204	K2016470219 South Africa Ltd., A <sup>£</sup>	—	0.00
1,447,454	K2016470219 South Africa Ltd., B <sup>£</sup>	—	0.00
		<b>—</b>	<b>0.00</b>
	<b>TOTAL - AFRICA</b>	<b>—</b>	<b>0.00</b>
	<b>TOTAL - EQUITIES</b>	<b>—</b>	<b>0.00</b>
	<b>BONDS 93.76% (87.27%)</b>		
	<b>AFRICA 7.50% (7.21%)</b>		
	<b>EGYPT</b>		
2,900,000	Egypt Treasury Bill, 0.000%, 12/07/2021	134	0.27
4,300,000	Egypt Treasury Bill, 0.000%, 12/14/2021	199	0.40
8,200,000	Egypt Treasury Bill, 0.000%, 12/21/2021	378	0.77
1,000,000	Egypt Treasury Bill, 0.000%, 01/04/2022	46	0.09
5,200,000	Egypt Treasury Bill, 0.000%, 01/11/2022	238	0.48
2,100,000	Egypt Treasury Bill, 0.000%, 02/15/2022	95	0.19
1,800,000	Egypt Treasury Bill, 0.000%, 02/22/2022	81	0.16
1,000,000	Egypt Treasury Bill, 0.000%, 03/01/2022	45	0.09
2,200,000	Egypt Treasury Bill, 0.000%, 03/22/2022	98	0.20
1,000,000	Egypt Treasury Bill, 0.000%, 06/14/2022	44	0.09
		<b>1,358</b>	<b>2.74</b>
	<b>GHANA</b>		
3,360,000	Ghana Government Bond, 18.750%, 01/24/2022	419	0.85
1,396,000	Ghana Government Bond, 18.250%, 07/25/2022	176	0.36
80,000	Ghana Government Bond, 17.600%, 11/28/2022	10	0.02
790,000	Ghana Government Bond, 20.750%, 01/16/2023	102	0.21
460,000	Ghana Government Bond, 16.500%, 02/06/2023	57	0.12
1,720,000	Ghana Government Bond, 17.250%, 07/31/2023	212	0.43
3,351,000	Ghana Government Bond, 18.850%, 09/28/2023	423	0.86
1,529,000	Ghana Government Bond, 19.250%, 12/18/2023	194	0.39
250,000	Ghana Government Bond, 16.250%, 04/07/2025	29	0.06
100,000	Ghana Government Bond, 18.300%, 03/02/2026	12	0.02
5,190,000	Ghana Government Bond, 19.750%, 03/15/2032	645	1.31
470,000	Ghana Treasury, 18.500%, 01/02/2023	59	0.12
50,000	Ghana Treasury, 17.600%, 02/20/2023	6	0.01
		<b>2,344</b>	<b>4.76</b>
	<b>SOUTH AFRICA</b>		
1,016,333	K2016470219 South Africa Ltd., Reg S, 3.000%, 12/31/2022 <sup>£</sup>	—	0.00
483,711	K2016470219 South Africa Ltd., Reg S, 8.000%, 12/31/2022 <sup>£</sup>	—	0.00

**FTF Templeton Global Total Return Bond Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>SOUTH AFRICA (continued)</b>		
438,728	K2016470260 South Africa Ltd., Reg S, 25.000%, 12/31/2022 <sup>6</sup>	—	0.00
		—	<b>0.00</b>
	<b>TOTAL - AFRICA</b>	<b>3,702</b>	<b>7.50</b>
	<b>ASIA 45.80% (52.20%)</b>		
	<b>INDIA</b>		
3,900,000	India Government Bond, 7.590%, 01/11/2026	42	0.08
94,500,000	India Government Bond, 7.270%, 04/08/2026	1,004	2.04
17,100,000	India Government Bond, 8.330%, 07/09/2026	189	0.38
		<b>1,235</b>	<b>2.50</b>
	<b>INDONESIA</b>		
28,423,000,000	Indonesia Treasury, 8.375%, 03/15/2024	1,613	3.28
27,239,000,000	Indonesia Treasury, 6.500%, 06/15/2025	1,486	3.02
56,670,000,000	Indonesia Treasury, 5.500%, 04/15/2026	2,979	6.05
		<b>6,078</b>	<b>12.35</b>
	<b>JAPAN</b>		
47,900,000	Japan Treasury Bill, 0.000%, 11/22/2021	318	0.65
394,300,000	Japan Treasury Bill, 0.000%, 12/20/2021	2,620	5.32
600,500,000	Japan Treasury Bill, 0.000%, 03/22/2022	3,992	8.11
		<b>6,930</b>	<b>14.08</b>
	<b>SINGAPORE</b>		
4,550,000	Singapore Government Bond, 2.750%, 07/01/2023	2,586	5.25
	<b>SOUTH KOREA</b>		
1,590,000,000	Korea Monetary Stabilization Bond, 0.905%, 04/02/2023	991	2.01
5,289,000,000	Korea Treasury, 0.875%, 12/10/2023	3,271	6.64
		<b>4,262</b>	<b>8.65</b>
	<b>SRI LANKA</b>		
200,000	Sri Lanka Government Bond, Reg S, 5.750%, 04/18/2023	98	0.20
400,000	Sri Lanka Government Bond, Reg S, 6.350%, 06/28/2024	188	0.38
600,000	Sri Lanka Government Bond, Reg S, 6.850%, 11/03/2025	279	0.57
1,600,000	Sri Lanka Government Bond, Reg S, 6.200%, 05/11/2027	721	1.46
200,000	Sri Lanka Government Bond, Reg S, 6.750%, 04/18/2028	89	0.18
200,000	Sri Lanka Government Bond, Reg S, 7.850%, 03/14/2029	90	0.18
		<b>1,465</b>	<b>2.97</b>
	<b>TOTAL - ASIA</b>	<b>22,556</b>	<b>45.80</b>
	<b>CENTRAL AMERICA 5.30% (11.42%)</b>		
	<b>MEXICO</b>		
23,732,000	Mexican Bonos, 6.750%, 03/09/2023	870	1.77
44,719,000	Mexican Bonos, 8.000%, 12/07/2023	1,677	3.41

## FTF Templeton Global Total Return Bond Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>MEXICO (continued)</b>		
1,440,000	Mexican Bonos, 10.000%, 12/05/2024	57	0.12
		<b>2,604</b>	<b>5.30</b>
	<b>TOTAL - CENTRAL AMERICA</b>	<b>2,604</b>	<b>5.30</b>
	<b>MIDDLE EAST 2.23% (1.72%)</b>		
	<b>TURKEY</b>		
6,720,000	Republic of Turkey Bond, 13.900%, 11/09/2022	542	1.10
450,000	Republic of Turkey Bond, 12.200%, 01/18/2023	35	0.07
1,930,000	Republic of Turkey Bond, 7.100%, 03/08/2023	141	0.29
2,390,000	Republic of Turkey Bond, 16.200%, 06/14/2023	196	0.40
1,250,000	Republic of Turkey Bond, 8.800%, 09/27/2023	89	0.18
110,000	Republic of Turkey Bond, 10.400%, 03/20/2024	8	0.02
1,160,000	Republic of Turkey Bond, 12.600%, 10/01/2025	82	0.17
		<b>1,093</b>	<b>2.23</b>
	<b>TOTAL - MIDDLE EAST</b>	<b>1,093</b>	<b>2.23</b>
	<b>NORTH AMERICA 7.26% (0.00%)</b>		
	<b>UNITED STATES</b>		
4,800,000	US Treasury Bill, 0.000%, 01/27/2022	3,572	7.26
	<b>TOTAL - NORTH AMERICA</b>	<b>3,572</b>	<b>7.26</b>
	<b>SOUTH AMERICA 25.67% (14.72%)</b>		
	<b>ARGENTINA</b>		
169,973,100	Argentina Government Bond, 16.000%, 10/17/2023	375	0.76
300,295,900	Argentina Government Bond, 15.500%, 10/17/2026	426	0.86
5,514,044	Argentina Government Bond, FRN, 0.000%, 06/30/2022	22	0.04
1,268,232	Argentina Government Bond STEP, 0.500%, 07/09/2030	318	0.65
101,883,343	Argentina Treasury BONCER, FRN, 1.200%, 03/18/2022	384	0.78
183,247,999	Argentina Treasury BONCER, FRN, 1.400%, 03/25/2023	655	1.33
204,540,556	Argentina Treasury BONCER, FRN, 1.500%, 03/25/2024	673	1.37
		<b>2,853</b>	<b>5.79</b>
	<b>BRAZIL</b>		
4,220,000	Brazil Letras do Tesouro Nacional, 0.000%, 01/01/2024	468	0.95
16,680,000	Brazil Letras do Tesouro Nacional, 0.000%, 07/01/2024	1,763	3.58
13,680,000	Brazil Letras do Tesouro Nacional, 0.000%, 01/01/2025	1,374	2.79
2,410,000	Brazil Notas do Tesouro Nacional, 10.000%, 01/01/2025	329	0.67
5,100,000	Brazil Notas do Tesouro Nacional, 10.000%, 01/01/2027	684	1.39
1,060,000	Brazil Notas do Tesouro Nacional, 10.000%, 01/01/2029	139	0.28
1,680,000	Brazil Notas do Tesouro Nacional, 10.000%, 01/01/2031	217	0.44
		<b>4,974</b>	<b>10.10</b>
	<b>COLOMBIA</b>		
111,000,000	Colombia Government Bond, 4.375%, 03/21/2023	22	0.04
176,000,000	Colombia Government Bond, 9.850%, 06/28/2027	40	0.08
1,649,000,000	Republic of Colombia, 7.000%, 05/04/2022	328	0.67
7,305,000,000	Republic of Colombia, 10.000%, 07/24/2024	1,584	3.22

**FTF Templeton Global Total Return Bond Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>COLOMBIA (continued)</b>		
4,251,700,000	Republic of Colombia, 7.500%, 08/26/2026	853	1.73
		<b>2,827</b>	<b>5.74</b>
	<b>ECUADOR</b>		
973,000	Ecuador Government Bond, STEP, Reg S, 5.000%, 07/31/2030	614	1.25
2,523,000	Ecuador Government Bond, STEP, Reg S, 1.000%, 07/31/2035	1,254	2.55
265,000	Ecuador Government Bond, STEP, Reg S, 0.500%, 07/31/2040	116	0.24
		<b>1,984</b>	<b>4.04</b>
	<b>TOTAL - SOUTH AMERICA</b>	<b>12,638</b>	<b>25.67</b>
	<b>TOTAL - BONDS</b>	<b>46,165</b>	<b>93.76</b>
	<b>DERIVATIVES (0.72%) ((1.06)%)</b>		
	<b>FORWARDS CURRENCY CONTRACTS</b>		
	Buy AUD 1,030,000 sell USD 782,141 dated 10/21/2021	(31)	(0.06)
	Buy CAD 1,447,526 sell EUR 975,235 dated 03/03/2021	5	0.01
	Buy CAD 5,347,000 sell EUR 3,423,570 dated 11/02/2021	173	0.35
	Buy CAD 1,447,526 sell EUR 973,232 dated 02/03/2022	5	0.01
	Buy CAD 1,447,947 sell EUR 971,548 dated 05/03/2022	5	0.01
	Buy CLP 570,051,713 sell USD 751,494 dated 04/04/2021	(35)	(0.07)
	Buy CLP 193,263,080 sell USD 248,717 dated 05/05/2021	(8)	(0.02)
	Buy CLP 504,700,000 sell USD 652,278 dated 10/13/2021	(22)	(0.05)
	Buy CLP 137,500,000 sell USD 184,551 dated 10/14/2021	(11)	(0.02)
	Buy CLP 480,480,000 sell USD 608,112 dated 10/29/2021	(12)	(0.02)
	Buy CLP 344,702,501 sell USD 438,268 dated 11/30/2021	(11)	(0.02)
	Buy CLP 457,274,587 sell USD 585,424 dated 12/15/2021	(18)	(0.04)
	Buy CLP 268,190,000 sell USD 362,469 dated 12/23/2021	(25)	(0.06)
	Buy CLP 66,700,000 sell USD 83,802 dated 12/28/2021	(2)	0.00
	Buy CLP 416,400,000 sell USD 524,433 dated 01/13/2022	(11)	(0.02)
	Buy CLP 133,925,856 sell USD 165,750 dated 01/14/2022	(1)	0.00
	Buy CLP 266,541,141 sell USD 337,565 dated 02/11/2022	(9)	(0.02)
	Buy CLP 255,145,911 sell USD 321,675 dated 05/11/2022	(10)	(0.02)
	Buy CNH 9,412,960 sell USD 1,416,154 dated 10/15/2021	28	0.06
	Buy CNH 6,540,050 sell USD 1,002,482 dated 11/22/2021	3	0.01
	Buy CNH 3,784,810 sell USD 581,759 dated 12/10/2021	—	0.00
	Buy CNH 4,330,750 sell USD 669,856 dated 12/10/2021	(3)	(0.01)
	Buy CNH 8,752,690 sell USD 1,344,892 dated 12/13/2021	—	0.00
	Buy CNH 13,098,980 sell USD 2,025,341 dated 12/13/2021	(9)	(0.02)
	Buy CNH 9,474,580 sell USD 1,464,183 dated 12/15/2021	(6)	(0.01)
	Buy CNH 4,120,330 sell USD 630,001 dated 03/09/2022	(1)	0.00
	Buy EUR 1,090,000 sell USD 1,274,177 dated 11/24/2021	(8)	(0.02)
	Buy GBP 26,145,731 sell USD 35,817,000 dated 10/25/2021	(513)	(1.05)
	Buy INR 40,557,100 sell USD 553,635 dated 07/07/2021	(6)	(0.01)
	Buy INR 91,865,100 sell USD 1,253,978 dated 08/08/2021	(14)	(0.03)
	Buy INR 47,498,300 sell USD 648,131 dated 10/12/2021	(7)	(0.01)
	Buy INR 103,219,577 sell USD 1,370,905 dated 10/18/2021	11	0.02
	Buy INR 29,477,000 sell USD 386,990 dated 11/10/2021	6	0.01
	Buy INR 179,190,330 sell USD 2,417,962 dated 12/15/2021	(19)	(0.03)



## FTF Templeton Global Total Return Bond Fund (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
<b>FORWARDS CURRENCY CONTRACTS (continued)</b>			
	Buy INR 40,442,600 sell USD 523,936 dated 01/27/2022	10	0.02
	Buy KRW 1,690,000,000 sell USD 1,512,778 dated 06/06/2021	(67)	(0.14)
	Buy KRW 1,179,300,000 sell USD 1,024,231 dated 01/24/2022	(23)	(0.05)
	Buy KRW 3,577,800,000 sell USD 3,099,852 dated 02/03/2022	(66)	(0.13)
	Buy KRW 2,680,000,000 sell USD 2,296,585 dated 03/03/2022	(31)	(0.06)
	Buy KRW 1,010,000,000 sell USD 871,140 dated 03/07/2022	(16)	(0.03)
	Buy NOK 7,416,450 sell EUR 735,809 dated 10/19/2021	(8)	(0.01)
	Buy NOK 2,809,500 sell EUR 276,226 dated 01/19/2022	(2)	0.00
	Buy NOK 11,719,600 sell EUR 1,151,811 dated 01/21/2022	(6)	(0.01)
	Buy NOK 4,828,900 sell EUR 471,357 dated 03/15/2022	(1)	0.00
	Buy NOK 6,638,450 sell EUR 648,115 dated 03/16/2022	(1)	0.00
	Buy NOK 12,271,000 sell EUR 1,199,893 dated 04/01/2022	(4)	(0.01)
	Buy NOK 4,177,600 sell EUR 408,025 dated 06/20/2022	(2)	0.00
	Buy NOK 21,698,500 sell EUR 2,101,611 dated 06/22/2022	4	0.01
	Buy NZD 1,280,000 sell USD 913,102 dated 12/20/2021	(26)	(0.05)
	Buy NZD 1,310,000 sell USD 926,515 dated 12/21/2021	(21)	(0.04)
	Buy RUB 88,568,300 sell USD 1,176,753 dated 06/06/2021	19	0.04
	Buy RUB 27,817,700 sell USD 370,952 dated 07/07/2021	5	0.01
	Buy RUB 25,607,700 sell USD 345,035 dated 12/10/2021	2	0.00
	Buy RUB 74,077,900 sell USD 976,235 dated 12/15/2021	20	0.04
	Buy RUB 49,136,400 sell USD 653,067 dated 03/11/2022	1	0.00
	Buy SEK 7,945,450 sell EUR 783,034 dated 10/18/2021	(2)	0.00
	Buy SEK 7,945,450 sell EUR 782,795 dated 10/19/2021	(2)	0.00
	Buy SEK 9,473,883 sell EUR 930,408 dated 11/17/2021	–	0.00
	Buy SEK 8,093,867 sell EUR 802,652 dated 12/13/2021	(7)	(0.01)
	Buy SEK 2,091,600 sell EUR 205,274 dated 12/15/2021	–	0.00
	Buy SEK 4,843,099 sell EUR 478,671 dated 12/16/2021	(3)	(0.01)
	Buy SEK 2,510,000 sell EUR 248,137 dated 12/17/2021	(2)	0.00
	Buy SEK 2,446,955 sell EUR 240,574 dated 01/18/2022	–	0.00
	Buy SEK 2,446,946 sell EUR 240,406 dated 03/16/2022	–	0.00
	Buy SEK 3,937,100 sell EUR 389,369 dated 06/15/2022	(3)	(0.01)
	Buy USD 1,405,247 sell AUD 1,821,000 dated 10/21/2021	72	0.15
	Buy USD 1,561,991 sell AUD 2,010,000 dated 10/22/2021	87	0.18
	Buy USD 1,752,343 sell AUD 2,259,200 dated 10/26/2021	95	0.19
	Buy USD 449,472 sell CLP 356,725,856 dated 04/04/2021	6	0.01
	Buy USD 155,663 sell EUR 129,500 dated 10/18/2021	4	0.01
	Buy USD 1,820,289 sell EUR 1,486,654 dated 11/24/2021	73	0.15
	Buy USD 365,810 sell EUR 298,000 dated 11/30/2021	15	0.03
	Buy USD 514,699 sell EUR 435,300 dated 01/27/2022	7	0.01
	Buy USD 227,613 sell EUR 194,089 dated 03/31/2022	2	0.00
	Buy USD 947,000 sell GBP 695,735 dated 10/25/2021	9	0.01
	Buy USD 1,649,872 sell MXN 33,240,000 dated 05/05/2021	30	0.06

**FTF Templeton Global Total Return Bond Fund** (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>FORWARDS CURRENCY CONTRACTS (continued)</b>		
	Buy USD 1,581,103 sell MXN 31,962,000 dated 11/16/2021	27	0.05
	<b>FOREIGN EXCHANGE GAIN/LOSS ON OUTSTANDING FORWARD CURRENCY CONTRACTS</b>	<u>(361)</u>	<u>(0.72)</u>
	<b>TOTAL - DERIVATIVES</b>	<u>(361)</u>	<u>(0.72)</u>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>45,804</b>	<b>93.04</b>
	<b>OTHER ASSETS</b>	<u>3,425</u>	<u>6.96</u>
	<b>TOTAL NET ASSETS</b>	<u>49,229</u>	<u>100.00</u>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

€ These securities are fair valued by the manager.

## FTF Templeton Global Total Return Bond Fund

### Statement of Total Return

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital losses		(1,995)		(6,328)
Revenue	2,514		2,944	
Expenses	(251)		(442)	
Finance costs - Interest	–		(2)	
Net revenue before taxation	2,263		2,500	
Taxation	(11)		(89)	
Net revenue after taxation		2,252		2,411
<b>Total return before distributions for the period</b>		<b>257</b>		<b>(3,917)</b>
Distributions		(2,237)		(2,500)
<b>Change in net assets attributable to shareholders</b>		<b>(1,980)</b>		<b>(6,417)</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>64,409</b>		<b>115,626</b>
Amounts received on creation of shares	5,714		8,568	
Amounts paid on cancellation of shares	(20,115)		(29,158)	
		(14,401)		(20,590)
Dilution adjustments		14		5
Change in net assets attributable to shareholders from investment activities (see above)		(1,980)		(6,417)
Retained distribution on accumulation shares		1,187		1,266
<b>Closing net assets attributable to shareholders</b>		<b>49,229</b>		<b>89,890</b>

### Balance sheet

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	47,478	57,374
Current assets		
Debtors	801	2,816
Cash and bank balances	3,583	7,706
<b>Total assets</b>	<b>51,862</b>	<b>67,896</b>
<b>Liabilities</b>		
Investment liabilities	(1,674)	(1,846)
Creditors		
Distributions payable	(406)	(585)
Other creditors	(553)	(1,056)
<b>Total liabilities</b>	<b>(2,633)</b>	<b>(3,487)</b>
<b>Net assets attributable to shareholders</b>	<b>49,229</b>	<b>64,409</b>

## FTF Templeton Global Total Return Bond Fund

## Distribution Statement

## For the period 1 April 2021 to 30 June 2021

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 June 2021

	Net Income p	Equalisation p	30 June 2021 Pence per Share p	30 June 2020 Pence per Share p
A Accumulation Hedge Shares				
Group 1	2.0602	—	2.0602	1.1417
Group 2	1.1289	0.9313	2.0602	1.1417
A Accumulation Shares				
Group 1	3.4927	—	3.4927	2.2152
Group 2	1.3826	2.1101	3.4927	2.2152
A Income Hedge Shares				
Group 1	1.4082	—	1.4082	0.8253
Group 2	0.6155	0.7927	1.4082	0.8253
A Income Shares				
Group 1	2.0049	—	2.0049	1.3409
Group 2	1.1018	0.9031	2.0049	1.3409
W Accumulation Hedge Shares				
Group 1	1.8334	—	1.8334	1.0733
Group 2	1.3584	0.4750	1.8334	1.0733
W Accumulation Shares				
Group 1	2.1267	—	2.1267	1.4310
Group 2	0.8601	1.2666	2.1267	1.4310
W Income Hedge Shares				
Group 1	1.4044	—	1.4044	0.8751
Group 2	0.7565	0.6479	1.4044	0.8751
W Income Shares				
Group 1	1.4449	—	1.4449	1.0309
Group 2	0.9201	0.5248	1.4449	1.0309
Y Income Shares				
Group 1	1.6988	—	1.6988	1.3051
Group 2	1.6988	—	1.6988	1.3051
Z Accumulation Shares				
Group 1	3.5011	—	3.5011	2.3071
Group 2	2.3814	1.1197	3.5011	2.3071
Z Income Hedge Shares				
Group 1	1.3807	—	1.3807	0.8411
Group 2	0.1194	1.2613	1.3807	0.8411

## For the period 1 July 2021 to 30 September 2021

Group 1 Shares purchased prior to 1 July 2021

Group 2 Shares purchased in the period 1 July 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Accumulation Hedge Shares <sup>1</sup>				
Group 1	—	—	—	1.1142
Group 2	—	—	—	1.1142
A Accumulation Shares <sup>1</sup>				
Group 1	—	—	—	2.0616
Group 2	—	—	—	2.0616

## FTF Templeton Global Total Return Bond Fund

## Distribution Statement (continued)

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Income Hedge Shares <sup>1</sup>				
Group 1	–	–	–	0.7939
Group 2	–	–	–	0.7939
A Income Shares <sup>1</sup>				
Group 1	–	–	–	1.2341
Group 2	–	–	–	1.2341
W Accumulation Hedge Shares				
Group 1	1.7452	–	1.7452	1.0407
Group 2	0.2544	1.4908	1.7452	1.0407
W Accumulation Shares				
Group 1	2.0545	–	2.0545	1.3150
Group 2	0.3934	1.6611	2.0545	1.3150
W Income Hedge Shares				
Group 1	1.3082	–	1.3082	0.8380
Group 2	0.2163	1.0919	1.3082	0.8380
W Income Shares				
Group 1	1.3671	–	1.3671	0.9352
Group 2	0.2855	1.0816	1.3671	0.9352
Y Income Shares				
Group 1	1.6201	–	1.6201	1.1699
Group 2	1.6201	–	1.6201	1.1699
Z Accumulation Shares <sup>1</sup>				
Group 1	–	–	–	2.1276
Group 2	–	–	–	2.1276
Z Income Hedge Shares <sup>1</sup>				
Group 1	–	–	–	0.8156
Group 2	–	–	–	0.8156

**Equalisation**

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

## Investment Review

### Performance

For the six months ended 30 September 2021, FTF Templeton Global Leaders Fund (W(acc) shares) returned 5.94%, while the MSCI All Country World Index ("MSCI ACWI-NR") rose 8.73%.

### Overview

Global equity markets, as measured by the MSCI All Country World Index-NR (net of tax withholding when dividends are paid), advanced for the six months ended 30 September 2021 benefitting from the continued progress of COVID-19 vaccination programmes, solid economic growth and a rebound in global trade. However, the Chinese government's imposition of additional restrictions on some businesses pressured Asian and global emerging market stocks. The combination of increased consumer demand and persistent supply chain disruptions contributed to higher inflation in many countries. Additionally, the spread of the highly contagious Delta variant, which caused COVID-19 cases to rise even in some intensively vaccinated areas, added to volatility in global equities during the six-month period.

In the United States, the economy continued to recover amidst declining unemployment, solid wage growth and high business confidence. Gross domestic product ("GDP") growth was robust as strong consumer spending, driven by a surge in consumer demand, supported the economy. A rebound in corporate earnings and the US Senate's passage of a bipartisan infrastructure bill further bolstered investor sentiment. The US Federal Reserve ("Fed") kept the federal funds target rate at a record-low range of 0.00%–0.25% and continued its programme of open-ended purchasing of US Treasuries and mortgage-backed securities to help keep markets functioning. In its September 2021 meeting statement, the Fed indicated that it plans to soon reduce its purchases of these securities but did not provide a timetable. The Fed also maintained that it views inflation as partially transitory, and that further employment progress was needed before the Fed would consider raising the range for the federal funds target rate.

The eurozone economy showed signs of recovery, as quarter-over-quarter GDP increased in the second quarter of 2021 after contracting for the previous two quarters. Most of the eurozone's largest economies posted improving growth rates as increased vaccination rates helped consumer activity return to pre-pandemic levels. The fastest rate of business activity growth in more than a decade also helped European developed market equities, as measured by the MSCI Europe Index-NR, to rise for the six months under review. However, in September 2021, the annual inflation rate in the eurozone reached the highest level in 13 years, and the prospect of energy shortages as winter approaches tempered investor optimism.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index-NR, declined for the six-month period. Although China continued to grow, its economy was pressured by higher commodity prices, increased fuel costs and production disruption caused by government-mandated suspensions of power use. Asian equity markets experienced heightened volatility due to inflation concerns and rising COVID-19 infection rates in some countries. Unexpected regulatory changes by the Chinese government, which negatively impacted education- and technology-related businesses, and concerns about a large property developer's solvency pressured Chinese stocks late in the six-month period.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index-NR, also retreated for the six months under review mostly due to the weak Chinese and South Korean markets. Higher COVID-19 cases in some countries, limited vaccine rollouts, and concerns about rising interest rates and elevated inflation dampened investor enthusiasm in global emerging market equities. Investor concerns that problems in China's highly indebted property development sector could affect other emerging markets further hurt returns.

### Significant Changes

During the period under review, our exposure to the health care sector, tripled due to the appreciation of several of our holdings as well as the addition of AstraZeneca, Swiss pharmaceuticals firm Roche Holding and Ireland's ICON. Regarding our new investment in AstraZeneca, a multinational pharmaceutical and biotechnology company, we like the above-average growth driven by a diversified portfolio of products. Future growth prospects, driven by a solid pipeline, also appear favourable. Over the same period, we opened a new position in Alphabet, parent company of internet search giant Google. Other significant purchases during the reporting period included Dutch consumer goods firm Unilever (which was subsequently liquidated later in the reporting period) and US-based online retailer Amazon.com.

Over the past six months, our exposure to the industrials sector was cut almost in half, as we sold out of our investments in US-based logistics and shipping company United Parcel Service and Chinese firm SF Holding, while decreasing our investment in German industrial conglomerate Siemens. We also lessened our exposure to the consumer discretionary sector by liquidating our positions in Japanese consumer electronics manufacturer Sony Group and US-based discount retailer Dollar Tree. From the information technology sector, significant liquidations included Netherlands-based NXP Semiconductors, a broad-based manufacturer of semiconductors with strength in automotive (47% of revenues), communication infrastructure (21%) and industrial (18%) applications. Over the same period, we reduced our investment in Canadian metals streaming firm Wheaton Precious Metals and exited our position in Chinese internet giant Tencent.

### Positive/Negative Contributors

The Fund underperformed its benchmark index during the six-month reporting period ended 30 September 2021.

Security selection and an underweighting in the information technology sector detracted from relative fund performance. In addition to not owning some strong performing US based companies that are fully valued in our opinion, performance in the sector was pressured primarily by a position in South Korean semiconductor manufacturer and chip-maker Samsung Electronics. The company has benefitted from surging demand for semiconductors across the industrial value chain, but its shares slumped during the period on concerns that the memory chip cycle could fade. Nevertheless, management offered investors positive guidance which foresaw continued strength in the memory business attributable to new smartphone launches, broader adoption of 5G and healthy demand from server and personal computer companies. We continue to like Samsung's diversified revenue base and its cash-rich balance sheet, which is being used to enhance shareholder value through dividends, buybacks and potentially accretive acquisitions. In our view, as at period-end the stock remained undervalued for a global technology leader with a wide range of growth-oriented businesses.

Significant detractors from the consumer discretionary sector included New Oriental Education & Technology Group (off-benchmark investment) and Just Eat Takeaway.com. New Oriental Education was one of the first movers in the after-school tutoring market in China. It is now one of the two largest private education service operators in China, with a particularly strong brand name in English education. Its shares dropped during the period as the Chinese government enacted new regulations limiting private tutoring. We have since closed our position in the stock. Just Eat Takeaway is the largest food delivery platform in Europe, with the number-one market share position in 90% of the markets in which it operates. The company holds a defensible position in its core markets as the low-cost producer and benefits from strong local network effects between restaurants, customers and couriers. The shares underperformed the broader market during the period as investors raised concerns around the GrubHub acquisition in the United States and the amount of investment required to turn around that asset, which has lost market share to DoorDash and UberEats. We believe that three players can co-exist profitably in the US as GrubHub reportedly intends to focus its efforts on regional strongholds as opposed to a national effort. The share price was depressed further in late-September as institutional investors sold shares after FTSE Russell, deciding that Just Eat was a Dutch company, not a British firm, removed it from the FTSE 100. We believe the shares as at period-end are attractively priced given our long-term view.

Stock selection in the communication services sector also hampered relative results during the six-month reporting period primarily due to exposure to US based media and entertainment company Walt Disney and Tencent, the largest internet company in China.

Conversely, stock selection in the health care sector supported relative fund performance during the six-month reporting period. Contributors from the sector included AstraZeneca, ICON (off-benchmark investment) and HCA Healthcare. ICON, headquartered in Ireland, provides contract clinical research services to the global pharmaceutical and biotechnology industries. The company provides drugmakers around the world with a broad range of services for their product candidates' clinical trials including designing studies, recruiting investigators/patients, managing and analysing trial data; and assisting with regulatory filings. In the third quarter, ICON's shares were buoyed by a strong earnings report and analyst upgrades. Shares of HCA Healthcare, the largest health care provider in the United States, outperformed, driven by quarterly financial results that beat analyst estimates on earnings and management raising its guidance for financial results for the full year. We believe management has been doing an excellent job keeping costs in line while revenues recover as patients come in for procedures delayed during the pandemic.

Security selection in the materials sector also enhanced results. Shares of US-based specialty chemicals company Albemarle performed well on the back of a capital markets day event in which the company outlined its medium-term strategy for accelerated growth. Of particular note was a more bullish outlook for the bromine business as a beneficiary of electrification.

More broadly, the market appears to have become increasingly confident that lithium will remain undersupplied against the rapid demand growth from electric vehicles ("EVs"); Albemarle is the largest provider of lithium for EVs. This has driven steady earnings forecast upgrades by analysts, and we continue to expect long-term price strength in lithium to support earnings growth. Although materials was an overall contributor at the sector level, our investment in Sumitomo Metal Mining, Japan's largest materials company, with metals exposure including copper, nickel and gold hampered relative results. We believe the stock represents an undervalued play on higher nickel/copper prices over our investment horizon, driven by supply/demand imbalances and an increasing appetite for electric vehicle battery materials. The stock price declined in value due to a drop in price of copper futures early in the reporting period. The share price was also pressured by news flow of increased nickel supply in Indonesia and uncertainty around the scope for higher mining taxes/royalties in Chile and Peru, two countries within which Sumitomo has stakes in several mining projects.

Other individual contributors to relative performance during the six-month reporting period included Japanese industrial technology company Hitachi and US-based diversified financial firm American Express. Hitachi's shares performed strongly during the period on growing investor appreciation of the company's strategy, which is to focus on digital transformation of the industrial space through its highly regarded Lumada IoT (Internet of Things) platform. Hitachi has continued to make progress with its corporate reform initiatives to evolve into a more simplified, higher-returning company generating more stable cash flows. Meanwhile, shares of American Express performed well as parts of the world re-opened and the concerns around a negative credit cycle (decreased access to credit) have continued to fade. A return to "Travel & Entertainment" (airfare, restaurants, entertainment) should be supportive of higher fee income, as well as play into the company's key value proposition of catering to this market.

From a geographic standpoint, stock selection and an overweighting in the United Kingdom detracted from relative performance during the six-month reporting period. An overweighting and security selection in South Korea also hampered results, as did positioning in China and Taiwan. Relative results were pressured further by an overweighting and stock selection in Japan and by our investments in Germany, the United States and Denmark. In contrast, security selection in Canada supported relative performance. Positioning in Ireland and France also enhanced results.

## Outlook

The reflation narrative associated with economic reopening gave way to inflationary concerns during the period under review, prompting a somewhat more hawkish stance from key central bankers, led by those at the US Federal Reserve. While some of the inflationary pressures experienced recently may indeed prove transitory once supply chain and labour market bottlenecks are resolved, other aspects appear to be more structural. Higher barriers to trade, increasing regulation and taxation, onshoring of production, supply chain redundancy and, eventually, rising wage pressures are likely to continue to exert upward pressure on costs, even after the pandemic-related disruption of raw materials supply normalises. Some companies will have an easier time than others managing rising costs, but it's hard to see how current supernormal levels of corporate profitability can be sustained in such an environment. That makes record-high equity valuations look increasingly vulnerable at a time when policymakers are also determined to begin removing at least some of the stimulus that has supported markets over this protracted cycle.

Other issues that we are considering in our research include upcoming elections in major economies, increasingly tense geopolitical relations between the United States and China, contagion risk associated with Chinese regulatory reforms, and shifting defence alliances in Europe. Of course, with liquidity still abundant, corporate and household balance sheets in generally good shape, and trillions of dollars of fiscal spending entering the pipeline in the United States and elsewhere, stocks may well continue to climb a wall of worry for the foreseeable future. But, on balance, risks look increasingly elevated, and we believe caution is warranted. In this environment especially, we see significant value in an investment approach rooted in long-term fundamental analysis, despite its unpopularity in an era of meme stocks, non-fungible tokens (NFTs), special purpose acquisition companies (SPACs) and other signs of unconstrained speculation. We are comfortable with a portfolio of what we consider reasonably priced, good quality companies that is diversified across economic exposures and value profiles, and we believe that our prudence and discipline will be rewarded in time.

**Dylan Ball, Katherine Owen, CFA & Tina Sadler, CFA**

*Fund Managers*

30 September 2021



## Comparative Table, 30 September 2021

## FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund)

A – Accumulation shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	1,389.18	992.48	1,099.62	1,082.68
Return before operating charges <sup>2</sup>	(1,389.18)	416.98	(88.99)	34.77
Operating charges <sup>3</sup>	–	(20.28)	(18.15)	(17.83)
Return after operating charges <sup>4</sup>	(1,389.18)	396.70	(107.14)	16.94
Closing net asset value per share	–	1,389.18	992.48	1,099.62
Distributions	–	(11.30)	(43.13)	(11.30)
Retained distributions on accumulation shares	–	11.30	43.13	11.30
After direct transaction costs of <sup>5</sup>	–	1.74	1.47	0.79

**Performance**

Return after charges <sup>6</sup>	–	39.97%	(9.74%)	1.56%
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**Other information**

Closing net asset value (£)	–	11,172,682	8,421,057	9,953,699
Closing number of shares	–	804,267	848,490	905,194
Operating charges ratio <sup>7</sup>	–	1.63%	1.61%	1.58%
Direct transaction costs <sup>5</sup>	0.13%	0.14%	0.13%	0.07%

**Prices (p)**

Highest share price	1,488.86	1,430.11	1,201.43	1,212.49
Lowest share price	1,369.73	963.00	936.87	1,023.13

A – Income shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
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**Change in net assets per share (p)**

Opening net asset value per share	864.48	623.45	719.82	715.75
Return before operating charges <sup>2</sup>	(864.48)	260.68	(56.61)	23.27
Operating charges <sup>3</sup>	–	(12.55)	(11.79)	(11.75)
Return after operating charges <sup>4</sup>	(864.48)	248.13	(68.40)	11.52
Distributions	–	(7.10)	(27.97)	(7.45)
Closing net asset value per share	–	864.48	623.45	719.82
After direct transaction costs of <sup>5</sup>	–	1.07	0.95	0.52

**Performance**

Return after charges <sup>6</sup>	–	39.80%	(9.50%)	1.61%
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**Other information**

Closing net asset value (£)	–	1,285,090	983,935	1,329,017
Closing number of shares	–	148,655	157,820	184,632
Operating charges ratio <sup>7</sup>	–	1.63%	1.61%	1.58%
Direct transaction costs <sup>5</sup>	0.13%	0.14%	0.13%	0.07%

**Prices (p)**

Highest share price	926.51	889.95	774.50	801.56
Lowest share price	852.38	604.65	603.95	672.51

**FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund) (continued)**

<b>I – Accumulation shares<sup>8</sup></b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	–	–	3,645.92	3,564.73
Return before operating charges <sup>2</sup>	–	–	(3,611.93)	113.99
Operating charges <sup>3</sup>	–	–	(33.99)	(32.80)
Return after operating charges <sup>4</sup>	–	–	(3,645.92)	81.19
Closing net asset value per share	–	–	–	3,645.92
Distributions	–	–	(71.18)	(63.35)
Retained distributions on accumulation shares	–	–	71.18	63.35
After direct transaction costs of <sup>5</sup>	–	–	4.86	2.61

**Performance**

Return after charges <sup>6</sup>	–	–	–	2.28%
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**Other information**

Closing net asset value (£)	–	–	–	197,865,876
Closing number of shares	–	–	–	5,427,054
Operating charges ratio <sup>7</sup>	–	–	–	0.88%
Direct transaction costs <sup>5</sup>	–	–	0.13%	0.07%

**Prices (p)**

Highest share price	–	–	3,994.52	4,002.08
Lowest share price	–	–	3,532.60	3,386.04

<b>W – Accumulation shares</b>	<b>30 September 2021</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
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**Change in net assets per share (p)**

Opening net asset value per share	293.87	208.39	229.16	223.94
Return before operating charges <sup>2</sup>	18.42	87.78	(18.74)	7.17
Operating charges <sup>3</sup>	(1.29)	(2.30)	(2.03)	(1.95)
Return after operating charges <sup>4</sup>	17.13	85.48	(20.77)	5.22
Closing net asset value per share	311.00	293.87	208.39	229.16
Distributions	(0.63)	(3.87)	(10.79)	(4.10)
Retained distributions on accumulation shares	0.63	3.87	10.79	4.10
After direct transaction costs of <sup>5</sup>	0.40	0.36	0.31	0.16

**Performance**

Return after charges <sup>6</sup>	5.83%	41.02%	(9.06%)	2.33%
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**Other information**

Closing net asset value (£)	34,985,778	17,246,288	13,297,728	16,256,686
Closing number of shares	11,249,307	5,868,642	6,381,283	7,094,173
Operating charges ratio <sup>7</sup>	0.85%	0.88%	0.86%	0.83%
Direct transaction costs <sup>5</sup>	0.13%	0.14%	0.13%	0.07%

**Prices (p)**

Highest share price	315.92	302.26	252.05	251.46
Lowest share price	290.00	202.21	196.65	212.79

## FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund) (continued)

Z – Accumulation shares <sup>1</sup>	30 September 2021	31 March 2021	31 March 2020	31 March 2019
<b>Change in net assets per share (p)</b>				
Opening net asset value per share	288.75	205.16	226.06	221.36
Return before operating charges <sup>2</sup>	(288.75)	86.35	(18.44)	7.08
Operating charges <sup>3</sup>	–	(2.76)	(2.46)	(2.38)
Return after operating charges <sup>4</sup>	(288.75)	83.59	(20.90)	4.70
Closing net asset value per share	–	288.75	205.16	226.06
Distributions	–	(3.30)	(10.17)	(3.59)
Retained distributions on accumulation shares	–	3.30	10.17	3.59
After direct transaction costs of <sup>5</sup>	–	0.36	0.30	0.16
<b>Performance</b>				
Return after charges <sup>6</sup>	–	40.74%	(9.25%)	2.12%
<b>Other information</b>				
Closing net asset value (£)	–	8,103,827	5,818,607	6,713,778
Closing number of shares	–	2,806,534	2,836,090	2,969,867
Operating charges ratio <sup>7</sup>	–	1.08%	1.06%	1.03%
Direct transaction costs <sup>5</sup>	0.13%	0.14%	0.13%	0.07%
<b>Prices (p)</b>				
Highest share price	310.14	297.06	248.20	248.39
Lowest share price	284.88	199.08	193.62	210.03

- 1 Shares converted to Class W shares on 13 September 2021.
- 2 The "return before operating charges" is calculated as the "return after operating charges" plus the "operating charges".
- 3 The "operating charges" are calculated with reference to the total expenses for the year divided by the number of shares in issue at each valuation point.
- 4 The "return after operating charges" is calculated as the "closing net asset value per share" plus the "distributions" (for income share classes only) minus the "opening net asset value per share".
- 5 The direct transaction costs include all fees and expenses which relate directly to the sales and purchases of securities which include commissions, transfer taxes and duties. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The "direct transaction costs" ratio is calculated by dividing the total transaction costs by the average net assets.
- 6 The "return after charges" is calculated as the "return after operating charges" per share divided by the "opening net asset value per share". This figure will differ from "performance return" figure disclosed under "Investment Review" section due to alternative calculation methodology used.
- 7 The "operating charges ratio" represents all operating charges and expenses of the share class in the prior 12 months as a percentage of the share class's average net assets during the year.
- 8 This share class was converted from 27 January 2020.

Where ex-post expense information is not a fair representation of future operating costs and where 12 months of information is not available, an estimate is disclosed.

## Risk Profile (W(acc) shares)



This indicator, disclosed in the Key Investor Information Document ("KIID"), provides a measure of the price movement of the Fund based on historical behaviour. Historical data may not be a reliable indication of the future risk profile of the Fund. The category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean risk free.

For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

## Portfolio of Investments, 30 September 2021

FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>EQUITIES 92.45% (95.95%)</b>		
	<b>ASIA 26.96% (32.76%)</b>		
	<b>CHINA</b>		
159,000	China Mengniu Dairy Co. Ltd.	760	2.17
	<b>HONG KONG</b>		
62,400	AIA Group Ltd.	536	1.53
	<b>INDIA</b>		
8,811	Reliance Industries Ltd., GDR <sup>^</sup>	443	1.27
	<b>JAPAN</b>		
2,900	FANUC Corp.	473	1.35
23,771	Hitachi Ltd.	1,047	2.99
3,100	Shin-Etsu Chemical Co. Ltd.	389	1.11
34,200	Sumitomo Metal Mining Co. Ltd.	923	2.64
3,695	Tokyo Electron Ltd.	1,219	3.49
15,500	Toyota Industries Corp.	945	2.70
		<b>4,996</b>	<b>14.28</b>
	<b>SOUTH KOREA</b>		
26,633	Samsung Electronics Co. Ltd.	1,239	3.54
	<b>TAIWAN</b>		
94,000	Taiwan Semiconductor Manufacturing Co. Ltd.	1,458	4.17
	<b>TOTAL - ASIA</b>	<b>9,432</b>	<b>26.96</b>
	<b>EUROPE - NON EU 2.50% (0.00%)</b>		
	<b>SWITZERLAND</b>		
3,209	Roche Holding AG	874	2.50
	<b>TOTAL - EUROPE - NON EU</b>	<b>874</b>	<b>2.50</b>
	<b>EUROPE - OTHER EU 10.23% (16.38%)</b>		
	<b>FRANCE</b>		
5,934	Air Liquide SA	711	2.03
	<b>GERMANY</b>		
3,183	adidas AG	751	2.15
32,793	Infineon Technologies AG	995	2.84
3,264	Siemens AG	399	1.14
		<b>2,145</b>	<b>6.13</b>
	<b>IRELAND</b>		
3,642	ICON plc	725	2.07
	<b>TOTAL - EUROPE - OTHER EU</b>	<b>3,581</b>	<b>10.23</b>
	<b>NORTH AMERICA 44.90% (42.60%)</b>		
	<b>UNITED STATES</b>		
6,380	Albemarle Corp.	1,040	2.97
513	Alphabet, Inc., A	1,026	2.93
303	Amazon.com, Inc.	745	2.13

## FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund) (continued)

Number of Shares or Face Value	Description	Market Value £000	% of Net Assets
	<b>UNITED STATES (continued)</b>		
9,324	American Express Co.	1,191	3.40
788	Booking Holdings, Inc.	1,394	3.98
15,735	Comcast Corp., A	655	1.87
6,200	F5 Networks, Inc.	934	2.67
4,334	HCA Healthcare, Inc.	814	2.33
14,399	JPMorgan Chase & Co.	1,778	5.08
10,903	Medtronic plc	1,027	2.94
3,557	UnitedHealth Group, Inc.	1,060	3.03
10,130	Walt Disney Co. (The)	1,302	3.72
21,898	Westinghouse Air Brake Technologies Corp.	1,437	4.11
5,972	Zendesk, Inc.	517	1.48
7,100	Zimmer Biomet Holdings, Inc.	789	2.26
		<b>15,709</b>	<b>44.90</b>
	<b>TOTAL - NORTH AMERICA</b>	<b>15,709</b>	<b>44.90</b>
	<b>SOUTH AMERICA 0.00% (2.44%)</b>		
	<b>UNITED KINGDOM 7.86% (1.77%)</b>		
32,880	Allfunds Group plc	463	1.32
13,075	AstraZeneca plc	1,169	3.34
11,075	Just Eat Takeaway.com NV, Reg S	610	1.75
38,910	Smith & Nephew plc	506	1.45
	<b>TOTAL - UNITED KINGDOM</b>	<b>2,748</b>	<b>7.86</b>
	<b>TOTAL - EQUITIES</b>	<b>32,344</b>	<b>92.45</b>
	<b>TOTAL VALUE OF INVESTMENTS</b>	<b>32,344</b>	<b>92.45</b>
	<b>OTHER ASSETS</b>	<b>2,642</b>	<b>7.55</b>
	<b>TOTAL NET ASSETS</b>	<b>34,986</b>	<b>100.00</b>

The total percentage figures in brackets next to each category heading represent holdings as at 31 March 2021.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

<sup>^</sup> Global Depository Receipt.

## FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund)

**Statement of Total Return**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Income</b>				
Net capital gains		2,038		5,612
Revenue	245		398	
Expenses	(192)		(192)	
Net revenue before taxation	53		206	
Taxation	(25)		191	
Net revenue after taxation		28		397
<b>Total return before distributions for the period</b>		<b>2,066</b>		<b>6,009</b>
Distributions		(70)		(397)
<b>Change in net assets attributable to shareholders</b>		<b>1,996</b>		<b>5,612</b>

**Statement of Change in Net Assets Attributable to Shareholders**

For the period 1 April 2021 to 30 September 2021

	September 2021 £000	September 2021 £000	September 2020 £000	September 2020 £000
<b>Opening net assets attributable to shareholders</b>		<b>37,808</b>		<b>28,521</b>
Amounts received on creation of shares	369		309	
Amounts paid on cancellation of shares	(5,262)		(1,457)	
		(4,893)		(1,148)
Dilution adjustments		5		–
Change in net assets attributable to shareholders from investment activities (see above)		1,996		5,612
Retained distribution on accumulation shares		70		374
<b>Closing net assets attributable to shareholders</b>		<b>34,986</b>		<b>33,359</b>

**Balance sheet**

As at 30 September 2021

	September 2021 £000	March 2021 £000
<b>Assets</b>		
Fixed assets		
Investments	32,344	36,275
Current assets		
Debtors	127	171
Cash and bank balances	2,549	1,428
<b>Total assets</b>	<b>35,020</b>	<b>37,874</b>
<b>Liabilities</b>		
Creditors		
Other creditors	(34)	(66)
<b>Total liabilities</b>	<b>(34)</b>	<b>(66)</b>
<b>Net assets attributable to shareholders</b>	<b>34,986</b>	<b>37,808</b>

## FTF Templeton Global Leaders Fund (previously named Templeton Growth Fund)

**Distribution Statement****For the period 1 April 2021 to 30 September 2021**

Group 1 Shares purchased prior to 1 April 2021

Group 2 Shares purchased in the period 1 April 2021 to 30 September 2021

	Net Income p	Equalisation p	30 September 2021 Pence per Share p	30 September 2020 Pence per Share p
A Accumulation Shares <sup>1</sup>				
Group 1	–	–	–	11.3042
Group 2	–	–	–	11.3042
A Income Shares <sup>1</sup>				
Group 1	–	–	–	7.0990
Group 2	–	–	–	7.0990
W Accumulation Shares				
Group 1	0.6256	–	0.6256	3.2640
Group 2	0.5351	0.0905	0.6256	3.2640
Z Accumulation Shares <sup>1</sup>				
Group 1	–	–	–	2.9781
Group 2	–	–	–	2.9781

**Equalisation**

All shareholders, within each share category, receive the same distribution per share, although the distribution to shareholders who purchased shares during the distribution period (Group 2 holdings) contains an element of equalisation which is a repayment, at an average rate per share, of the amount of accrued net income which was included in the purchase price of such shares. As the nature of this payment is capital it is not subject to income tax but must be deducted from the purchase price in any capital gains tax computation on the sale of the shares.

<sup>1</sup> Shares converted to Class W shares on 13 September 2021.

## Further Information

### Investment objectives and policy

The Company is an umbrella company which aims to provide investors with a choice of Funds investing in a wide range of transferable securities on a world-wide basis and featuring a diverse array of investment objectives. The overall objective of the Company is to seek to minimise investment exposure through diversification and to provide Shareholders with the benefit of a portfolio managed by Franklin Templeton Investments according to its successful time-tested investment selection methods.

The Company does not intend to have an interest in any immovable property or tangible movable property. Each Fund may, on an ancillary basis, hold liquid assets. Such assets may be kept in the form of cash deposits or in short-term money market instruments.

The Funds established by the Company are Franklin Mutual Shares Fund (no longer available for investment), FTF Franklin Sterling Corporate Bond Fund, FTF Franklin UK Equity Income Fund, FTF Franklin UK Gilt Fund, FTF Franklin UK Managers' Focus Fund, FTF Franklin UK Mid Cap Fund, FTF Franklin UK Opportunities Fund, FTF Franklin UK Rising Dividends Fund, FTF Franklin UK Smaller Companies Fund, FTF Franklin US Opportunities Fund, FTF Templeton Global Emerging Markets Fund, FTF Templeton Global Total Return Bond Fund and FTF Templeton Global Leaders Fund.

### Franklin Mutual Shares Fund (no longer available for investment)

**Investment Objective:** The Fund's primary objective is long-term capital appreciation by investing primarily in US equity and related debt securities. Income generation is a secondary consideration.

The Fund will pursue these objectives primarily through investment in equity and debt securities of US corporate issuers that are listed or traded on Eligible Markets which the Investment Adviser believes are available at market prices less than their value based on certain recognised or objective criteria ("intrinsic value"). A significant portion of the debt securities in which the Fund invests is expected to be Sub-Investment Grade debt or equivalent unrated securities.

Following this value-orientated strategy, the Fund primarily invests in:

- Undervalued equities – common and preferred stock, and securities convertible into common or preferred stock, trading at a discount to intrinsic value;

to a lesser extent, the Fund also invests in:

- Merger arbitrage and companies undergoing restructuring – equity and debt securities of companies that are involved in restructurings such as mergers, acquisitions, consolidations, liquidations, spin-offs, or tender or exchange offers; and
- Distressed securities – debt securities of companies that are, or are about to be, involved in reorganisations, financial restructurings or bankruptcy.

The Fund's investments in distressed companies typically involve the purchase of lower-rated (or comparable unrated) or defaulted debt securities or other indebtedness, such as syndicated bank debt, of such companies. The Fund generally invests in such debt instruments to achieve capital appreciation, rather than to seek income. Such investments may be made when the Investment Adviser determines that such securities might be subject to an exchange offer or a plan of reorganisation pursuant to which shareholders of the distressed securities could receive securities or assets in exchange for such securities. Generally, the Fund will invest in such securities at a price which represents a significant discount from the principal amount due at maturity. Investments by the Fund in distressed or defaulted debt securities shall be considered to be investments in securities which are not traded on Eligible Markets and shall therefore be subject to the restriction that such investments, together with other investments which fall into this category, may not exceed 10% of the net asset value of the Fund.

The Investment Adviser employs a research-driven fundamental value strategy for the Fund. In choosing equity investments, the Investment Adviser focuses on the market price of a company's securities relative to the Investment Adviser's own evaluation of the company's asset value, including an analysis of book value, cash flow potential, long term earnings, and multiples of earnings of comparable securities of both public and private companies. Value stock prices are considered "cheap" relative to the company's perceived value and are often out of favour with other investors. The prices of debt obligations of distressed companies also may be "cheap" relative to the value of the company's assets. The Fund invests in such securities if the Investment Adviser believes the market may have over-reacted to adverse developments or failed to appreciate positive



**Investment objectives and policy** (continued)

changes. The Investment Adviser examines each investment separately and there are no set criteria as to specific value parameters, asset size, earnings or industry type. A portion of the assets of the Fund, which will generally be not more than 20% of its net asset value, may be invested in the securities of non-US issuers, including issuers in emerging markets.

The Fund will limit its investments in transferable securities which are not traded on one or more Eligible Markets to not more than 10% of its net asset value as of the time of investment.

In addition, at the ACD's discretion, the Fund may also invest a proportion of its portfolio in other types of transferable securities including cash and near cash, money market instruments, and other collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management (including hedging) of the Fund. However, the Fund may, in the future and subject to the ACD giving not less than 60 days' notice to Shareholders in the Fund, use derivatives in pursuit of its investment objective as well as for efficient portfolio management. It is not intended that the use of derivatives for efficient portfolio management will cause the Fund's existing risk profile to rise. Where the use of derivatives in pursuit of the Fund's investment objective may cause the Fund to have higher volatility or otherwise cause its existing risk profile to rise, a notification to that effect shall be included within the 60-day prior notice to be sent to Shareholders in the Fund.

**How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- The Fund's performance is compared to the S&P 500 Index as it is widely available and reflects investments in the US stock market.

The base currency of the Fund is UK sterling.

**FTF Franklin Sterling Corporate Bond Fund****What the Fund aims to deliver (Fund Objective)**

The Fund aims to outperform the Markit iBoxx GBP Non-Gilts Index after fees and costs through a combination of income and investment growth over a three to five-year period.

**How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in corporate bonds (a type of debt obligation issued by a company) denominated in sterling.

The Fund's assets will normally be held in investment grade securities (bonds from companies that have been rated by independent agencies as high quality); however, up to 15% of the Fund's assets can be held in bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's). These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds. In addition, the Fund's managers make their own assessment of both investment grade and non-investment grade bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than British pounds.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

**How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the Markit iBoxx GBP Non-Gilts Index as it is widely available and reflects investments in similar debt-related securities.

### **Investment objectives and policy** (continued)

- The Fund's performance can also be compared against the Investment Association £ Corporate Bond sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

### **FTF Franklin UK Equity Income Fund**

#### **What the Fund aims to deliver (Fund Objective)**

The Fund's primary aim is to generate an income that is higher than that of the FTSE All-Share Index, together with investment growth over a three to five-year period after all fees and costs are deducted.

#### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange. These companies are incorporated/domiciled in the UK or which have significant business operations in the UK.

Typically, the number of holdings in the Fund will vary between 40 to 60 company shares and most of these will be the shares of large (such as those making up the FTSE 100 Index) companies.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium- and small-sized company would typically be no more than 2%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

#### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK Equity Income sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

### **FTF Franklin UK Gilt Fund**

#### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to outperform the FTSE UK Gilts (All) Government Total Return Index over a three to five-year period from a combination of income and investment growth, after all fees and costs are deducted.

## **Investment objectives and policy** (continued)

### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in debt obligations or bonds issued by the United Kingdom Government that pay interest (Gilts).

The Fund's managers do not intend to invest in every security in the FTSE UK Gilts (All) Government Total Return Index and up to 20% of the Fund's value can be invested in bonds (debt obligations) issued by governments of any nation or a lesser extent bonds issued by government-related organisations.

All the investments will be in investment grade securities, (bonds that have been rated by independent agencies as high quality). In addition, the Fund's managers make their own assessment of bonds to determine whether they believe investors will be adequately rewarded for any risk taken.

Up to 10% of the Fund's investments can be held in bonds that are denominated in currencies other than British pounds.

The Fund uses derivatives to grow or preserve the Fund's value, manage investment risk and gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards, options, and credit default and interest rate swaps.

### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the FTSE UK Gilts (All) Government Total Return Index, as it is widely available and reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association UK Gilt sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **FTF Franklin UK Managers' Focus Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund usually invests in the shares of up to 50 companies consisting of:

- 10-20 large companies (such as those making up the FTSE 100 Index)
- 10-20 medium sized companies (such as those making up the FTSE 250 Index)
- 20 smaller companies (such as those making up the Numis Smaller Companies ex- Investment Trusts Index or the Alternative Investment Market (AIM))

While the Fund's managers have the freedom to invest up to 10% of the Fund's assets outside of these indices, this would be very unusual, and the result of a very strong opportunity identified in their research or to protect capital in unusual market conditions.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

### **Investment objectives and policy** (continued)

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company to between 1% and 3% of the Fund's assets.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

### **How we measure performance**

- We measure performance and price shares in the Fund in British pound (GBP).
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **FTF Franklin UK Mid Cap Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the FTSE 250 (ex-Investment Trusts) Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

### **How we invest (Investment Policy)**

The Fund will invest at least two thirds (but typically significantly more) in the shares of medium-sized companies that are constituents of the FTSE 250 (ex-Investment Trusts) Index and that are incorporated/domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1.5% and 5% of the Fund's total value.

The Fund's managers do not intend to invest in every company in the FTSE 250 (ex-Investment Trusts) Index and, while they have the freedom to invest up to 10% of the Fund's assets outside of it, this is rare and typically has been because of changes to an index composition.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

### **Investment objectives and policy** (continued)

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

### **How we measure performance**

- We measure performance and price shares in the Fund in British Pounds (GBP).
- The FTSE 250 (ex-Investment Trusts) Index is the Fund's performance target and constrains the Fund's investment universe. It is widely available and reflects the performance of medium-sized companies.
- The Fund's performance may also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **FTF Franklin UK Opportunities Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the FTSE All-Share Index, from a combination of income and investment growth over a three to five-year period after all fees and costs are deducted.

### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. This will typically be around 30-50 companies.

The Fund's managers seek to achieve their growth objective while maintaining volatility (a measure of the size of short-term changes in the value of an investment) at lower levels than that of the FTSE All-Share Index. This often means that the Fund invests in large- or medium-sized companies listed on the London Stock Exchange.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund's managers try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep a shareholding in any individual company to between 1.5% and 5% of the Fund's assets.

The Fund's managers do not intend to invest in every company in the FTSE All-Share Index and, while they have the freedom to invest up to 10% of the Fund's assets in Continental European companies, this has historically been a rare occurrence.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).

### **Investment objectives and policy** (continued)

- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

### **FTF Franklin UK Rising Dividends Fund**

#### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the FTSE All-Share Index by generating a growing level of income, together with investment growth over a three to five-year period after all fees and costs are deducted.

#### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in the shares of companies listed on the London Stock Exchange that are incorporated/domiciled in the UK or which have significant business operations in the UK. The Fund usually invests in 30-50 companies that have grown their dividend in at least 8 of the past 10 years. Typically, most of these investments will be in the shares of large or medium sized companies (such as those making up the FTSE 350 Index).

The Fund's managers will select only those companies from the FTSE All-Share Index that their research suggests will help them to meet the Fund's objective. They do not intend to invest in every company in the FTSE All-Share Index and have the freedom to invest up to 10% of the Fund's assets outside of it.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk. They try to further reduce risk by making sure no single company share dominates Fund investments. Normally they try to keep shareholding in any individual large company to no more than 5% of the Fund's total value, while a shareholding in any individual medium-sized company would typically be between 2% and 2.5% and small-sized companies would typically be no more than 1.5%.

Very occasionally and to a much lesser extent, the Fund may also invest in debt securities or bonds (debt obligations that pay interest) issued by governments, government-related, supranational organisations or corporations or convertibles, a type of corporate bond that can be exchanged for shares in the same organisation.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

#### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the FTSE All-Share Index, as it is widely available and reflects investments in the UK stock market.
- The Fund's performance can also be compared against the Investment Association UK All Companies sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **Investment objectives and policy** (continued)

### **FTF Franklin UK Smaller Companies Fund**

#### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the Numis Smaller Companies ex- Investment Trusts Index over a three to five-year period after all fees and costs are deducted.

#### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in shares of smaller companies which are constituents of the Numis Smaller Companies ex-Investment Trusts Index or are listed on the Alternative Investment Market (AIM) exchange and that are incorporated/domiciled in the UK or which have significant business operations in the UK.

The Fund's managers do not intend to invest in every company in the Numis Smaller Companies ex-Investment Trusts Index or AIM but using their expertise and research, select around 40-50 companies they believe will achieve the Fund's objective.

The Fund's managers try to further reduce risk by making sure no single company share dominates the Fund's investments. Normally they try to keep shareholdings in any individual company between 1% and 5% of the Fund's total value.

Any proportion of the Fund can be invested into specific industry sectors, but the Fund's managers seek to avoid any unintentional emphasis on a sector in a way that could increase the level of risk.

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

#### **How we measure performance**

- We measure performance and price shares in the Fund in British pound (GBP).
- The Numis Smaller Companies ex- Investment Trusts Index is the Fund's performance target and constrains the Fund's investment universe. It reflects the performance of smaller companies.
- We may also compare the performance of the Fund to the Investment Association UK Smaller Companies sector average as it reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

### **FTF Franklin US Opportunities Fund**

#### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value over a three to five-year period.

#### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in the shares of companies of any size, listed on the United States' stock markets. The managers focus on those stocks that they believe have the potential to grow faster than the US economy. Typically, these types of companies do not pay a dividend and instead reinvest any earnings to aid future growth.

The Fund's managers can invest in any industry but normally try to keep investment in any specific industry to no more than 25% of the portfolio.

Very occasionally and to a much lesser extent, the Fund may also invest in company bonds (debt obligations) that can be exchanged for shares in the same organisation.



### **Investment objectives and policy** (continued)

The Fund may also invest a proportion of its portfolio in other types of transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- The Fund's performance can be compared against:
  - the Russell 3000 Growth Index™, as it is widely available and reflects growth-oriented investments in the US stock market
  - the S&P 500 Index, which reflects the overall stock market performance of 500 large companies listed in the United States
  - the Investment Association North American sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **FTF Templeton Global Emerging Markets Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the MSCI Emerging Markets (Net Dividends) Index over a five-year period after all fees and costs are deducted.

### **How we invest (Investment Policy)**

The Fund invests at least two thirds (but typically significantly more) in emerging markets (countries whose economy and financial markets are still developing). The Fund typically invests in around 70-90 companies of any size or industry that:

- are listed on an emerging markets stock exchange, or
- are domiciled or conduct a significant proportion of their business in emerging markets, or
- receive a significant amount of their revenues from emerging markets.

To a lesser extent, the Fund may also invest in frontier markets, these are markets that are at earlier stages of their economic and financial market development than emerging markets.

The Fund's managers use research and experience to identify companies that show more potential to deliver sustainable growth over the long-term (5 years) than their market price would suggest.

The Fund's portfolio may include some overlap with the Index but does not intend to replicate it and may vary considerably. The Fund may include shares and countries that are not included in the MSCI Emerging Markets (Net Dividends) Index.

Typically, to help manage risk, the Fund's managers aim to keep exposure to any single company in a range of 5% more or less than the Index and industry and country exposure in a range of 10% more or less than the MSCI Emerging Markets (Net Dividends) Index.

In addition, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and cash equivalents, money market instruments, and other collective investment schemes.



### **Investment objectives and policy** (continued)

The Fund can use derivatives for efficient portfolio management (managing the fund in a way that is designed to reduce risk or cost and/or generate extra income or growth). However, the Fund can introduce more speculative use of derivatives in the future on 60 days' notice to investors. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies).

### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).
- We measure performance against the Fund's performance target, the MSCI Emerging Markets (Net Dividends) Index, as it is widely available and reflects investments in stock markets of emerging markets countries. The term 'Net Dividends' in the name of the Index means that the Index returns reflect the deduction of withholding taxes.
- The Fund's performance can also be compared against the Investment Association Emerging Markets sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

## **FTF Templeton Global Total Return Bond Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value from a combination of income, capital growth and currency gains over a three to five-year period.

### **How we invest (Investment Policy)**

The Fund intends to achieve its objective by investing at least two thirds (but typically significantly more) in:

- debt securities or bonds, (a type of debt obligation) issued by governments, government-related, supranational organisations and corporations in any industry, anywhere in the world.
- derivatives, investments whose value is linked to another investment or the performance of another variable factor, such as interest rates, currencies of any country or indices. The types of derivatives used include but are not limited to: options, futures, forward currency contracts, credit default swaps, interest rate swaps, total return swaps and contracts for difference.

The Fund will typically limit exposure to bonds that are rated as below investment grade (below BBB- by Standard & Poor's or Baa3 by Moody's) to no more than 50% of the total portfolio. These bonds generally pay a high yield (interest rate) but are considered by rating agencies to be lower quality and carry more risk than investment grade bonds.

The Fund can also invest in distressed securities (those whose issuers may be in or close to bankruptcy or administration), but still present diverse opportunities to grow in value.

To a lesser extent the Fund may also invest in:

- bonds whose value is secured by mortgages or other assets (mortgage or asset-backed securities);
- bonds that can be exchanged for shares in the same organisation (convertibles);
- structured products (a type of fixed-term investment whose pay-out depends on the performance of something else, such as another security or currency);
- other transferable securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund's managers have the freedom to choose securities that their research indicates have the strongest potential to meet the Fund's objective. They are not constrained by any index.

## **Investment objectives and policy** (continued)

### **How we measure performance**

- We measure performance against the Bloomberg Barclays Multiverse Index, which reflects investments in similar debt-related securities.
- The Fund's performance can also be compared against the Investment Association Global Bond sector average, which reflects the performance of the Fund's competitors.
- We measure performance and price shares in the Fund in British pounds (GBP).

For hedged share classes that attempt to remove the impact of changes in foreign exchange rates (ending GBP-H3), we show performance of the comparable index in US dollars (US\$).

The base currency of the Fund is UK sterling.

## **FTF Templeton Global Leaders Fund**

### **What the Fund aims to deliver (Fund Objective)**

The Fund aims to grow in value by more than the MSCI All Country World (Net Dividends) Index over a five-year period after all fees and costs are deducted.

### **How we invest (Investment Policy)**

The Fund will invest at least two thirds (but typically significantly more) in the shares of a range of companies anywhere in the world that the Fund's portfolio management team regard as established leaders. These are companies with dominant market positions, strong competitive advantages, high quality management, solid balance sheets, and positive returns on capital in growing industries that show potential to deliver sustainable growth over the long term (5 years) than their market price would suggest. This includes how growth may be affected by environmental, social or governance risks and opportunities.

The Fund will also invest in companies that the Fund's portfolio management team believe are emerging leaders, these are companies that are in earlier stages of growth that the team believe will become established leaders over time. No more than 30% of the Fund's total value will typically be invested in shares of companies that the Fund's portfolio management team consider to be emerging leaders.

Typically, the number of holdings in the Fund will vary between 25-35 companies' shares but the Fund may hold up to 50 companies' shares. These holdings will typically be the shares of companies that have a market capitalisation of over \$10bn. However, the Fund may also invest in companies with market capitalisations of between \$1bn and \$10bn.

The Fund's portfolio may include some overlap with the MSCI All Country World (Net Dividends) Index but does not intend to replicate it and may vary considerably. It seeks to manage risk by avoiding any unintentional emphasis on a single company, industry or country.

In addition, the Fund may also invest a proportion of its portfolio in other transferable securities including fixed interest and other debt related securities, cash and cash equivalents, money market instruments, and other collective investment schemes.

The Fund uses derivatives for efficient portfolio management (managing the Fund in a way that is designed to reduce risk or cost and/or generate extra income or growth, within the Fund's existing risk profile), as well as for more speculative investment purposes, to help achieve the Fund's investment objective. It is anticipated that where the Fund uses derivatives for speculative purposes, this will be limited to part of the overall strategy.

Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, interest rates, share prices or currencies). These derivatives include, but are not limited to, futures, currency forwards and options.

### **How we measure performance**

- We measure performance and price shares in the Fund in British pounds (GBP).

**Investment objectives and policy** (continued)

- We measure performance against the Fund's performance target, the MSCI All Country World (Net Dividends) Index, as it is widely available and reflects investments across global stock markets. The term 'Net Dividends' in the name of the Index means that the Index returns reflect the deduction of withholding taxes.
- The Fund's performance can also be compared against the Investment Association Global Equity sector average, which reflects the performance of the Fund's competitors.

The base currency of the Fund is UK sterling.

**Accounting reference and other dates**

Subject to the FCA Rules, the accounting reference dates, interim accounting reference dates, distribution pay dates, grouping periods and dates of publication of annual and interim reports of each of the Funds are as follows:

*Accounting Reference Date (i.e. the financial year end) and Interim Accounting Period: 31 March and 1 April to 30 September.*

*Publication of Annual and Interim Reports: by 31 July and 30 November.*

**Distribution pay dates\***

	31 May	31 August	30 November	28 February**
FTF Franklin Sterling Corporate Bond Fund	X	X	X	X
FTF Franklin UK Equity Income Fund	X	X	X	X
FTF Franklin UK Gilt Fund	X	X	X	X
FTF Franklin UK Managers' Focus Fund	X		X	
FTF Franklin UK Mid Cap Fund	X		X	
FTF Franklin UK Opportunities Fund	X		X	
FTF Franklin UK Rising Dividends Fund	X	X	X	X
FTF Franklin UK Smaller Companies Fund	X		X	
FTF Franklin US Opportunities Fund	X			
FTF Templeton Global Emerging Markets Fund	X			
FTF Templeton Global Total Return Bond Fund	X	X	X	X
FTF Templeton Global Leaders Fund	X		X	

\* Or the last Business Day of the relevant period if the Distribution Pay Dates are not Business Days in any particular year.

\*\* 29 February in a leap year.

**Shares**

Shares are available in the Funds as follows:

Fund	Class	
FTF Franklin Sterling Corporate Bond Fund	W	Accumulation and Income
FTF Franklin UK Equity Income Fund	W	Net Accumulation and Net Income
FTF Franklin UK Gilt Fund	W	Accumulation and Income
FTF Franklin UK Managers' Focus Fund	S	Net Accumulation
FTF Franklin UK Managers' Focus Fund	W	Net Accumulation and Net Income
FTF Franklin UK Mid Cap Fund	S	Net Accumulation and Net Income
FTF Franklin UK Mid Cap Fund	W	Net Accumulation and Net Income
FTF Franklin UK Opportunities Fund	W	Net Accumulation and Net Income
FTF Franklin UK Rising Dividends Fund	W	Net Accumulation and Net Income
FTF Franklin UK Smaller Companies Fund	S	Net Income and Net Accumulation
FTF Franklin UK Smaller Companies Fund	W	Net Accumulation and Net Income
FTF Franklin US Opportunities Fund	W	Net Accumulation
FTF Templeton Global Emerging Markets Fund	S	Net Accumulation
FTF Templeton Global Emerging Markets Fund	W	Net Accumulation
FTF Templeton Global Total Return Bond Fund	W	Accumulation and Income
FTF Templeton Global Total Return Bond Fund	W-H3	Accumulation and Income
FTF Templeton Global Leaders Fund	W	Net Accumulation

## Shares (continued)

A Net Income Share is a Share in respect of which net income is to be distributed in accordance with its share in the property of the relevant Fund. Cash distributions of income are made in respect of Net Income Shares.

A Net Accumulation Share is a Share in respect of which the net income allocated after the date of issue thereof is to be accumulated in the proportion of the value of the property of the relevant Fund as may from time to time apply thereto. Where net Accumulation Shares are in issue, no cash distributions are made and no additional Shares are issued. Instead, the income available for distribution is re-invested and the re-investment reflected in the price of the Net Accumulation Share.

S Shares and Y shares are not available to retail investors.

## Charges

### The ACD's periodic remuneration

The ACD is entitled to receive out of the scheme property of each Fund for its own account, monthly on the last Business Day of each month or as soon as possible thereafter, the amount of the annual management charge accrued to it during that month. Under current VAT legislation, no VAT is payable on the ACD's remuneration. This annual management charge is calculated daily based on the assets of each Fund at the pricing valuation point of 12.00 noon UK time.

The table below summarises the rates of the ACD's annual management charge for each of the Funds.

Fund	S Shares (per annum)	W Shares (per annum)	Charge Taken from Income or Capital
FTF Franklin Sterling Corporate Bond Fund	N/A	0.35%	Capital
FTF Franklin UK Equity Income Fund	N/A	0.45%	Capital
FTF Franklin UK Gilt Fund	N/A	0.25%	Capital
FTF Franklin UK Managers' Focus Fund	0.55%	0.75%	Income
FTF Franklin UK Mid Cap Fund	0.55%	0.75%	Income
FTF Franklin UK Opportunities Fund	N/A	0.45%	Income
FTF Franklin UK Rising Dividends Fund	N/A	0.45%	Capital
FTF Franklin UK Smaller Companies Fund	0.65% <sup>#</sup>	0.75%	Income
FTF Franklin US Opportunities Fund	N/A	0.75%	Income
FTF Templeton Global Emerging Markets Fund	0.60% <sup>#</sup>	0.90%	Income
FTF Templeton Global Total Return Bond Fund	N/A	0.55%	Income
FTF Templeton Global Leaders Fund	N/A	0.70%	Income

<sup>#</sup>The ACD may in its discretion charge a lower management charge to that stated in the table above.

Such periodic remuneration is taken in each case at the rate of one-twelfth thereof each month. These rates are calculated by reference to the Net Asset Value of a Fund referable to the S Shares, and W Shares respectively.

The ACD is entitled to receive a monthly administration charge out of property of each Fund to be calculated, accrued and payable in the same manner and at the same time as the ACD's annual management charge.

The current administration charge in respect of all Class S, and Class W Shares is 0.05% per annum (plus any VAT or any equivalent tax thereon), and the maximum permitted administration charge in the case of all Funds is 0.10% (plus any VAT or any equivalent tax thereon).

Any increase of the ACD's annual management charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change (as set out in the provisions of the FCA Rules) only after:

- (a) giving 60 days' written notice to all Shareholders; or
- (b) the ACD revises the prospectus to reflect the proposed increase.

If such a change is deemed fundamental it will require the approval of the Shareholders.

### **Additional Information**

Full written details of the terms of Franklin Templeton Funds are contained in the Prospectus, Instrument of Incorporation and Key Investor Information Documents, copies of which are available free of charge from:

Franklin Templeton Investments  
Cannon Place  
78 Cannon Street  
London, EC4N 6HL  
United Kingdom

#### **Client Dealer Services**

Freefone:	0800 305 306
Telephone:	+44 (0)20 7073 8690
Fax:	+44 (0)20 7839 8701

### ***Note for Investors***

The value of shares and the income therefrom may go down as well as up and is not guaranteed. Past performance is not necessarily a guide to future performance.

In particular, some investments held may be designated in currencies other than Sterling and so may rise and fall purely on account of exchange rate fluctuations.

Investors should be aware of the risks associated with this type of investment and should take a medium to long-term view of returns.

Emerging markets can be riskier than developed markets.



Franklin Templeton Funds  
Cannon Place, 78 Cannon Street, London EC4N 6HL  
[www.franklintempleton.co.uk](http://www.franklintempleton.co.uk)