



## **Franklin Templeton Investment Funds (FTIF) -Templeton Global Bond Fund (the “ILP Sub-Fund)**

**This Fund Summary should be read in conjunction with the Product Summary**

### **Structure of ILP Sub-Fund**

The ILP sub-fund is a feeder fund investing all or substantially all of its assets in the Franklin Templeton Investment Funds (FTIF) – Templeton Global Bond Fund (“the Underlying Fund”), a sub-fund under the FTIF umbrella fund. FTIF is an investment company with limited liability organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and is qualified as a société d’investissement à capital variable.

It is registered on the official list of undertakings for collective investment in transferable securities pursuant to Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time (the “Law of 17 December 2010”). FTIF qualifies as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended.

The units in the ILP Sub-Fund are not classified as Excluded Investment Products.

### **Information on the Manager**

#### Franklin Advisers, Inc

Based in San Mateo, California, Franklin Advisers, Inc. was formed in 1985 and is best known as a fixed income and money market specialist. Franklin Advisers, Inc. is a leading fixed income manager in the U.S., and forms part of the Franklin Fixed Income Group which was one of the pioneers in the development of U.S. Government Securities funds in the 1970s. The Franklin Fixed Income Group also introduced America’s first state-specific and double tax-free income fund in 1981.

In addition to its fixed income capabilities, Franklin Advisers, Inc. is also renowned for its expertise in U.S. equities, particularly in utilizing the growth style in equity investing. The Franklin Equity Group manages various sector-focused portfolios including financial services, biotechnology and utilities. The Franklin Equity Group and the Franklin Fixed Income Group adopt a synergistic approach by leveraging on each other’s research and analysis to provide a more comprehensive coverage of their respective areas.

Franklin Advisers Inc. has managed collective investment schemes since 1985. As of 30 June 2016, Franklin Advisers, Inc. manages approximately US\$ 452,097,895,018.49 worth of assets.

### **Other Parties**

There are no other parties who advise the Manager in the management of the ILP sub-fund.

### **Investment Objectives, Focus & Approach**

The Underlying Fund’s principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

The Underlying Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating rate debt securities (including non-investment grade securities) and debt obligations issued by government or government-related issuers worldwide. The Underlying Fund may also, in accordance with the investment restrictions, invest in debt securities (including non-investment grade securities) of corporate issuers. The Underlying Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Underlying Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial

derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Underlying Fund may also invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Underlying Fund may hold up to 10% of its total net assets in securities in default. The Underlying Fund may purchase fixed income securities and debt obligations denominated in any currency, and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

The Underlying Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase.

The Underlying Fund may distribute income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

## **Risks**

In addition to the risks stated in the Product Summary, the following are risks specific to the Underlying Fund:

### **Class Hedging risk**

The Company may engage in currency hedging transactions with regard to a certain Share Class (the “Hedged Share Class”). Hedged Share Classes are designed (i) to reduce exchange rate fluctuations between the currency of the Hedged Share Class and the base currency of the Underlying Fund or (ii) to reduce exchange rate fluctuations between the currency of the Hedged Share Class and other material currencies within the Underlying Fund’s portfolio. The hedging will be undertaken to reduce exchange rate fluctuations in case the base currency of the Underlying Fund or other material currencies within the Underlying Fund (the “reference currency(ies)”) is(are) declining or increasing in value relative to the hedged currency. The hedging strategy employed will seek to reduce as far as possible the exposure of the Hedged Share Classes so that the performance of the Hedged Share Classes closely tracks the performance of the Share Classes in base currency. No assurance can be given that the hedging objective will be achieved.

### **Counterparty risk**

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause. When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, repurchase agreements, security lending, etc.), the Company may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.

### **Credit risk**

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer’s credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor’s, Moody’s and Fitch, among others, provide ratings for a wide array of fixed income securities 108 (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities.

### **Derivative Instruments risk**

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. An Underlying Fund may use options, futures, options on futures, and forward contracts on currencies, securities, indices, interest rates or other reference assets for hedging, efficient portfolio management and/or investment purposes. Derivative instruments involve costs and can create economic leverage in the Underlying Fund’s portfolio which may result in significant volatility and cause the Underlying Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Underlying Fund’s initial investment. In the case of futures transactions, the amount of the initial margin is small relative to the value of the futures contract so that transactions are “leveraged” or “geared”. A relatively small market movement will have a proportionately larger

impact which may work for or against the Underlying Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

### **Emerging Markets risk**

All Underlying Funds investments in the securities issued by corporations, governments, and government related entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and Emerging Markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means an Underlying Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; (xii) the possibility of limited legal recourse for the Underlying Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed. Investors in Underlying Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

### **Europe and Eurozone risk**

The Underlying Fund may invest in Europe and the Eurozone. Mounting sovereign debt burdens (e.g. any sovereigns within the Eurozone, which default on their debts, may be forced to restructure their debts and faced difficulties in obtaining credit or refinancing) and slowing economic growth among European countries, combined with uncertainties in European financial markets, including feared or actual failures in the banking system, the possibility for one or more countries to withdraw from the European Union, including the United Kingdom, which is a significant market in the global economy, and the possible break-up of the Eurozone and Euro currency, may adversely affect interest rates and the prices of both fixed income and equity securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe. The aforesaid economic and financial difficulties in Europe may spread across Europe and as a result, a single or several European countries may exit the Eurozone or a sovereign within the Eurozone may default on its debts. In any event of the break-up of the Eurozone or Euro currency, the relevant Underlying Fund may be exposed to additional operational or performance risks. While the European governments, the European Central Bank, and other authorities are taking measures (e.g. undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions, these measures may not have the desired effect and therefore the future stability and growth of Europe is uncertain. The performance and value of the relevant Underlying Fund may be adversely affected should there be any adverse credit events (e.g. downgrade of the sovereign credit rating or default or bankruptcy of any Eurozone countries).

### **Foreign Currency risk**

Since the Company values the portfolio holdings of each Underlying Fund in either US dollar, Japanese yen or euro, changes in currency exchange rates adverse to those currencies may affect the value of such holdings and each respective Underlying Fund's yield thereon. Since the securities, including cash and cash equivalents, held by an Underlying Fund may be denominated in currencies different from its base currency, the Underlying Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of an Underlying Fund's Shares, and also may affect the value of dividends and interests earned by the Underlying Fund and gains and losses realised by the Underlying Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

To the extent that the Underlying Fund or any Share Class seeks to use any strategies or instruments to hedge or to protect against currency exchange risk, there is no guarantee that hedging or protection will be achieved. Unless otherwise stated in any Underlying Fund's investment policy, there is no requirement that any Underlying Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction. Currency management strategies may substantially change the Underlying Fund's exposure to currency exchange rates and could result in losses to the Underlying Fund if currencies do not perform as the Investment Manager expects. In addition, currency management strategies, to the extent that they reduce the Underlying Fund's exposure to currency risks, may also reduce the Underlying Fund's ability to benefit from favourable changes in currency exchange rates. There is no assurance that the Investment Manager's use of currency management strategies will benefit the Underlying Fund or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to

hedging currency risks applicable to the Underlying Fund's holdings, further increases the Underlying Fund's exposure to foreign investment losses. Investors should be aware of the fact that the Chinese Renminbi (RMB) is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is freely tradable. Whilst the RMB is traded freely outside Mainland China, the RMB spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving market. Accordingly, Alternative Currency Classes denominated in RMB may be exposed to greater foreign exchange risks.

### Interest Rate Securities risk

The Underlying Fund that invest in debt securities or money market instruments are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect a security's value or, in an Underlying Fund's case, its Net Asset Value. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect the Underlying Fund's interest income, such changes may positively or negatively affect the Net Asset Value of the Underlying Fund's Shares on a daily basis. Variable rate securities (which include floating-rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by the Underlying Fund from its variable rate securities. Floating-rate securities may be rated below investment grade (such securities are commonly referred to as "junk bonds"). Limits on the aggregate amount by which a variable rate security's interest rate may increase over its lifetime or during any one adjustment period can prevent the interest rate from ever adjusting to prevailing market rates.

### Fees and Charges

In addition to the fees and charges shown in the Product Summary, the following fees are also payable through deduction from the asset value of the Underlying Fund.

Fees Payable by the Underlying Fund, which the ILP sub-fund invest into	
Annual Management Fee	1.05% Which includes management fee and maintenance charge.
Annual Custodian Fee	0.01% to 0.14%
Annual Administrative Fee	Maximum of 0.20%

**Past Performance<sup>1</sup> and Benchmark of the Underlying Fund:** as at 30 November 2016

**NOTE: PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.**

### Cumulative Performance and Benchmark of the Underlying Fund

Underlying Fund / Benchmark	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception *
FTIF - Templeton Global Bond Fund / JP Morgan Global Government Bond Index	-1.67%	-1.12%	14.39%	NA	50.94%
	3.09%	-0.83%	-2.06%	37.27%	23.65%

### Annualised Performance and Benchmark of the Underlying Fund

Underlying Fund / Benchmark	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception *

FTIF - Templeton Global Bond Fund /	-1.67%	-0.38%	2.72%	NA	5.00%
JP Morgan Global Government Bond Index	3.09%	-0.28%	-0.42%	3.22%	2.54%

Source: Franklin Templeton Investments

\* *Templeton Global Bond Fund A (Mdis) SGD- HI: Incepted on 16 June 2008*

<sup>1</sup> *Performance shown in fund currency and calculated before sales charges are deducted. Fees and charges payable through deduction of premium or cancellation of units are excluded in deriving the performance. Performance is calculated on the assumption that all dividends and distributions are reinvested, taking into account all charges which would have been payable upon such reinvestment.*

### Expense Ratio and Turnover Ratio of the Underlying Fund

Underlying Fund	Expense Ratio	Turnover Ratio
Templeton Global Bond Fund	1.40%	50.00%

The expense and turnover ratios stated in the table above are audited figures for the year ending 30 June 2016.

The expense ratio is calculated in accordance with the Investment Management Association of Singapore guidelines on the disclosure of expense ratios. It does not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, foreign exchange gains /losses, front or back-end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. It is calculated by dividing expenses by daily average NAV, and multiplied by the appropriate factor to annualise the figure and is disclose as a percentage.

The turnover ratio is calculated based on the lower of purchases and sales expressed as a percentage of the daily average net asset value.

### Soft Dollar Commissions or Arrangements

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

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

### Conflicts of Interest

The Investment Managers may hold Shares in the Funds for their own account. In the event of any conflict of interest arising as a result of such dealing, the Investment Managers will resolve such conflict in a just and equitable manner as they deem fit.

There may be instances where purchase or sale orders, or both, are placed simultaneously on behalf of two or more Funds/accounts managed by an Investment Manager. Orders for such securities may be aggregated for execution in accordance with established procedures. Generally, for each account, such batched transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for such Fund/account. Allocations are made among several accounts in a manner deemed equitable to all by the Investment Manager, taking into account the respective sizes of the accounts and the amount of securities to be purchased or sold. Orders are aggregated whenever possible to facilitate best



execution, as well as for the purpose of negotiating more favourable brokerage commissions beneficial to all accounts. Alternatively, trades may be placed according to an alternating sequence or rotation system in order to seek equitable treatment of Funds/accounts seeking to buy or sell the same securities.

### **Reports**

The financial year-end of the ILP Sub-Fund is 30 June. Aviva Ltd will make available semi-annual report and annual audited report of the ILP Sub-Fund within 2 months and 3 months respectively from the relevant reporting periods.

In addition, Aviva Ltd will make available financial reports of the Underlying Fund as they become available from the Investment Manager. Policyholders can access these reports via the Aviva website [www.aviva.com.sg](http://www.aviva.com.sg).

### **Specialised ILP Sub-Fund**

The ILP sub-fund is not a specialised sub-fund as set out in MAS Notice 307 on Investment-Linked Policies issued by the Monetary Authority of Singapore.