



FRANKLIN
TEMPLETON

Annual Report
for the year ended
31 December 2018

Franklin Templeton Asia Fund Series



FRANKLIN TEMPLETON ASIA FUND SERIES

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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REPORT OF THE MANAGER

FOR THE YEAR ENDED 31 DECEMBER 2018

Templeton Select Global Equity Fund

Market Review

Global developed- and emerging-market stocks, as measured by MSCI indices in US dollars, collectively declined for the year ended 31 December 2018. In the first half of the year, global markets were aided by price gains in oil and other commodities, encouraging corporate earnings reports and investor optimism about the world economy. This optimism gave way to concerns about US-China trade tensions and its effect on global economic growth, which began to show signs of decelerating and desynchronising.

Portfolio Review

The fund underperformed its benchmark index for the year, primarily due to holdings in the financials, information technology and health care sectors.

Financials holdings were led lower by bank holdings in the United States and Europe. We continued gradually repositioning our financials portfolio in 2018 to consolidate and rationalise holdings amidst heightened uncertainty. In the United States, we've been finding fewer bargains recently amongst regional banks and what we view as fully valued big universal banks as valuations expanded, focusing instead on opportunities in cheaper universal banks and consumer finance firms with distinct value catalysts. Meanwhile, in Europe, we have selectively reduced exposure to a handful of domestically focused banks with concentrated political risk. Our thesis on European banks rests largely on valuation and shareholder returns. In our analysis, European lenders currently trade at the same multiple relative to trailing earnings as they did in the depths of 2011's sovereign debt crisis, despite significant restructuring and recapitalisation efforts aimed at improving asset quality and returns. Depressed valuations combined with generous shareholder returns mean that dividend yields have exceeded price-to-earnings ratios at a number of European banks. Unhealed scars from the global financial crisis assure that banks will remain an easy target for market bears during periods of rising risk aversion. Yet, despite depressed valuations, we see fewer excesses and more resiliency in the European banking system today than during past crisis periods. Deep value opportunities have remained, in our view.

In information technology, we believe valuations in some parts of the sector remain significantly divorced from underlying fundamentals, increasing the odds of poor returns over a long-term horizon. We have largely avoided such stocks, finding sector opportunities instead amongst mature, cash-generative software firms developing new growth businesses, hardware companies with restructuring potential and semiconductor manufacturers excessively pressured by supply concerns.

Health care remains an attractive sector to us at this point in the cycle. Unlike other defensive sectors such as consumer staples and utilities, health care appears to be less of a simple bond proxy, offering defensiveness independent of interest rate fluctuations. The sector also offers growth possibilities through innovation and untapped market potential. Indeed, over the past five years, pharmaceutical industry revenue growth has well exceeded that of the broader market. At year-end, the industry was generating higher profit margins than the overall global market with lower-than-average leverage ratios, in our analysis. Investors might expect to pay a premium for such attributes, but the industry has been trading at a discount based on price-to-free-cash flow, with some of that cash having been returned to shareholders through an overall dividend yield on par with that of 10-year US Treasuries. Concerns persist about regulation and pricing in the global pharma industry, but history suggests that companies capable of innovating to provide products that address unmet medical needs can continue to thrive and profit. It is these kinds of companies in which we seek to invest.

Stock selection in the communication services, energy and industrials sectors, as well as an underweight in the latter, contributed to relative performance for the year.

In the new communication services sector grouping, we look for lowly valued telecommunication services companies with strong balance sheets, declining capital intensity and attractive dividends operating in markets with stable competitive dynamics and regulatory structures. The industry's defensiveness and yield profile should help in a low-rate, elevated risk environment. The other part of the new sector grouping—media and entertainment—is home to a number of former tech and consumer stocks we have avoided on valuation grounds.

In energy, as the price of oil rose above our estimate of the marginal cost of production in late 2017 and early 2018, we began selling into strength the higher beta, price-sensitive oil services stocks and reinvesting the proceeds in large, integrated oil producers with what we viewed as still-modest valuations and high dividend yields. The rise of US shale as the industry's swing producer means that oil market fundamentals are becoming increasingly driven by a highly leveraged, low-intensity production regime functioning in a market-based economy. Compared to the regime led by Saudi Arabia and OPEC ("Organization of the Petroleum Exporting Countries"), that can mean a more rapid supply response to prevailing imbalances and, ultimately, shorter, more volatile cycles. Going into 2019, we remain constructive on our more defensive positioning, but with oil prices falling back to levels on the cost curve historically associated with support, we have also begun using weakness to again search for potential bargains in more cyclical parts of the sector.

We continued to favour companies in the industrials sector benefitting from restructuring or exposure to growth-oriented end markets, such as aerospace/defence and industrial automation. We have avoided expensive companies that fail to reflect the maturity of their business cycles or are excessively optimistic about sustainable growth rates and returns. Protectionism is a risk as export-oriented capital goods firms remain at the forefront of trade war rhetoric, though we believe valuations are beginning to reflect such concerns.

REPORT OF THE MANAGER (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Templeton Select Global Equity Fund (continued) Portfolio Review (continued)

Regionally, stock selection in Asia, particularly China and Japan, contributed to relative performance for the year. Stock selection and an underweight in the United States detracted. Unlike Europe, where the risk premium is high and has room to recede, we believe risk is under-discounted in the US, where valuations may inadequately reflect tightening monetary policy, a mature profit cycle and rising trade tensions. On this latter point, we believe the market underestimates the extent to which escalating trade wars could quicken the transition to a new phase of market leadership as major beneficiaries of globalisation—like US corporates—are forced to adjust their supply chains.

Outlook & Strategy

Looking ahead, we see scope for continued moderate global growth as China is likely to undertake stimulus measures and as the US Federal Reserve and European Central Bank navigate their respective economic cycles. While valuations look extended in some parts of the equity market (albeit less so following fourth-quarter weakness), we also see pockets of opportunity, particularly outside the United States. Volatility is likely to remain elevated given rising late-cycle risks, and the resultant dislocations should continue to present opportunities for disciplined stock-pickers. The policy backdrop is also an important consideration given nascent efforts to normalise what has been extraordinarily accommodative central bank policy. In security analysis, applying a low discount rate to high future cash flows maximises the net present value of an asset. That is effectively what central bank policies have done this cycle—keep discount (i.e., interest) rates low and profit expectations high. Unsurprisingly, the effects have been most acute where expectations have been the highest: in the United States, due to President Trump's pro-cyclical fiscal stimulus, and in the technology sector, due to optimistic growth assumptions and long-dated cash flows. It stands to reason then that these would be the segments most vulnerable to a withdrawal of extraordinary stimulus. Going forward, we continue to believe that the process of monetary policy normalisation is likely to drive a rotation away from expensive growth stocks, to the benefit of beaten-down value shares.

The commentary, which is for informational purposes only, sets forth the manager's views as of 31 December 2018. The stock provided is for illustration purpose only. It is not a recommendation to purchase, sell or hold any particular security.

Any stock identified is not necessarily indicative of a portfolio's holding at any one time. The underlying assumptions and these views are subject to change. There is no guarantee that any forecasts expressed will be realised. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from use of this report or any information, opinion or estimate herein.

REPORT OF THE MANAGER (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Franklin Select Global Multi-Asset Income Fund

Key Themes

The global economy expanded during the 12 months under review, despite weakness in certain regions. Global developed- and emerging-market stocks were aided at certain points during the period by higher crude oil prices, upbeat economic data, easing trade tensions and encouraging corporate earnings reports, as well as indications of a slower pace of interest-rate increases from the US Federal Reserve (“Fed”). However, various factors weighed on global markets during the period, including concerns about tighter regulation of technology companies, political uncertainties in the United States, and the European Union, and major central banks’ interest-rate path and unwinding of monetary stimulus measures. Markets were further pressured by US trade disputes with its allies and China, and their impact on global growth and corporate earnings. In this environment, global stocks declined for the 12 months ended 31 December 2018.

Annual Performance

The fund had a -9.47% return for the year ended 31 December 2018. The fund’s customised benchmark had a return of -3.74%.

Although the fund’s small underweight in equities was a modest contributor, the asset class overall detracted from relative performance as a result of security selection. In the United States, which had the largest drag on results, Franklin U.S. Opportunities Fund was a key detractor; the rest of the US component was comprised of individual stocks. For Franklin U.S. Opportunities Fund, the communication services and consumer staples sector allocations hindered performance, while information technology was a contributor. On a global basis, Templeton Global Equity Income Fund weakened returns as a result of security selection in, and an underweight to, the United States and an overweight to Europe.

Overall regional allocations within equity had mixed effects. The fund’s overweight in Japan and modest underweight in the United States dampened relative performance. In contrast, the fund was meaningfully underweight European and Canadian stocks, and this benefitted returns.

Turning to fixed income, an underweight allocation to the asset class hindered relative results, as did overall security selection. For example, longer dated US Treasuries and an emerging-markets bond fund both weighed on returns. In contrast, a high-yield corporate bond fund and a short-term US Treasury boosted performance.

The fund’s exposure to risk premia strategies detracted from performance for the calendar year. The risk premia strategies seek to limit downside movement in equity. For much of 2018, stock markets exhibited muted volatility, resulting in the negative effect. However, the risk premia strategies’ defensive qualities proved beneficial late in the year amidst churning global stock markets.

Currency positioning supported relative returns, mainly hedging some euro and British pound exposure. The euro was weighed down by regional macro concerns, and an announcement by the European Central Bank mid-year that it would not begin lifting interest rates for some time. The pound was hampered by Brexit concerns.

An allocation to a gold exchange-traded fund modestly boosted performance. Heightened volatility in global equities and a partial US government shutdown spurred safe-haven demand for the precious metal, as did expectations that the Fed might dial back the pace of interest-rate hikes in 2019.

Assessment, Outlook and Risks

Over the 12-month period, we adjusted the portfolio as our views evolved. For example, we shifted some equity exposure to the United States from other regions, including European and Asian developed markets, and away from emerging markets. We viewed the US economy’s health and fiscal stimulus as two reasons for preferring US equities. Although our overall allocation to high-yield bonds was largely unchanged, we shifted to lower duration exposure in the bond sector. We expect US interest rates to continue to trend upward. In sovereign government debt, we reallocated some of our broad exposure to Chinese government bonds. We viewed the country’s slowing economy and expectations for further easing from the People’s Bank of China as supportive of these securities.

We see continued stock market volatility as the “new normal” after an extended period of muted volatility. On a macro level, we view stabilisation in growth momentum as a critical element in evaluating the global economy. From our perspective, stabilisation is more of a process rather than a result of a single data point.

As we enter 2019, we believe the global economy remains a long way from the steadiness we need to adopt a more constructive view. At the same time, the US business cycle still appears supportive of equities. The two major challenges that have historically challenged the cycle—rising inflation that forces tight monetary policy, and asset imbalances—do not appear prevalent as of 31 December.

REPORT OF THE MANAGER (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Franklin Select Global Multi-Asset Income Fund (continued) Assessment, Outlook and Risks (continued)

The sharp decline in the price of oil, with Brent crude down more than 40% from its recent peak in early October, has lessened the energy-induced inflationary pressure. As one of the key drivers of inflation expectations, global bond yields have fallen partly as a result of this change. We prefer lowering duration in fixed income.

The commentary, which is for informational purposes only, sets forth the manager's views as of 31 December 2018. The stock provided is for illustration purpose only. It is not a recommendation to purchase, sell or hold any particular security.

Any stock identified is not necessarily indicative of a portfolio's holding at any one time. The underlying assumptions and these views are subject to change. There is no guarantee that any forecasts expressed will be realised. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from use of this report or any information, opinion or estimate herein.

REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF FRANKLIN TEMPLETON ASIA FUND SERIES (THE “FUNDS”)

FOR THE YEAR ENDED 31 DECEMBER 2018

We hereby confirm that, in our opinion, the Manager of the Funds has, in all material respects, managed the Funds in accordance with the provisions of the Trust Deed dated 5 January 2016 for the year ended 31 December 2018.

For and on behalf of
Cititrust Limited

Authorised signatories

4 April 2019

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FRANKLIN TEMPLETON ASIA FUND SERIES

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of the Templeton Select Global Equity Fund and Franklin Select Global Multi-Asset Income Fund (each a separate sub-fund of Franklin Templeton Asia Fund Series and referred to individually or collectively as the “Funds”) set out on pages 11 to 44, which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of each of the Funds as at 31 December 2018, and of each of their financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Funds in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Trustee and the Manager (the “Management”) of the Funds are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Statements

The Management of the Funds is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Funds is responsible for assessing the Funds’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Funds is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 5 January 2016 (“Trust Deed”) and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the “SFC Code”).

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS OF FRANKLIN TEMPLETON ASIA FUND SERIES

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4 April 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	Note	2018 USD	2017 USD	2018 USD	2017 USD
ASSETS					
CURRENT ASSETS					
Investments	3	4,878,987	7,106,157	38,715,574	16,838,750
Due from brokers		—	6,132	31,985	4,800
Derivative financial instruments	4	6,506	41,129	47,186	76,837
Amounts receivable from subscription		—	—	49,765	—
Dividends and other accounts receivable		9,639	7,632	38,707	21,644
Margin cash	5	—	—	120,920	79,989
Cash and cash equivalents	5	401,038	193,009	943,963	928,298
TOTAL ASSETS		5,296,170	7,354,059	39,948,100	17,950,318
LIABILITIES					
CURRENT LIABILITIES					
Amounts payable on redemption		—	—	140,214	13,004
Due to brokers		—	—	—	7,844
Derivative financial instruments	4	285	—	75,002	66,664
Other accounts payable		29,094	37,575	76,989	69,767
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		29,379	37,575	292,205	157,279
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BEFORE AMORTISATION OF PRELIMINARY EXPENSES)					
Adjustment for different basis adopted by the Fund in arriving at net assets attributable to unitholders	6	—	8,500	—	20,221
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (AFTER AMORTISATION OF PRELIMINARY EXPENSES)	6	5,266,791	7,324,984	39,655,895	17,813,260

Signed for and on behalf of

Franklin Templeton Investments (Asia) Limited as the Manager

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	Note	2018 USD	2017 USD	2018 USD	2017 USD
INCOME					
Dividend income		156,434	148,233	882,669	297,567
Interest on bank deposits		2,752	1,187	10,706	3,639
Interest on investments		—	—	108,711	28,550
Other income		—	—	187	33,022
Change in unrealised gain/loss on fair value of investments		(1,756,786)	611,315	(3,160,120)	433,409
Realised gain/(loss) on sale of investments		835,347	349,419	(461,728)	305,980
Change in unrealised gain/loss on derivative financial instruments and foreign currency exchange		(34,958)	52,472	26,106	17,704
Realised (loss)/gain on derivative financial instruments and foreign currency exchange		(15,575)	181,980	(173,665)	88,316
TOTAL INVESTMENT (LOSS)/INCOME		(812,786)	1,344,606	(2,767,134)	1,208,187
EXPENSES					
Management fee	7(e)	62,821	63,449	225,910	83,399
Distribution fee		31,411	31,725	132,888	49,058
Trustee and custody fees	7(e)	34,060	28,584	87,315	52,985
Registrar fee	7(e)	2,513	2,538	10,631	3,925
Fund administration fee	7(e)	12,564	12,690	53,156	19,624
Audit fee		21,323	20,491	21,323	20,491
Bank charges		91	91	276	249
Legal and professional fees		2,466	4,298	3,352	3,443
Other operating expenses		9,422	4,913	10,142	8,336
Preliminary expenses	6	(6,582)	(31,670)	(25,952)	(34,807)
Transaction costs		5,837	6,923	34,040	10,917
TOTAL EXPENSES		175,926	144,032	553,081	217,620
(LOSS)/PROFIT BEFORE DISTRIBUTION AND TAX		(988,712)	1,200,574	(3,320,215)	990,567
FINANCE COST (EXCLUDING INCREASE/DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)					
Distribution to unitholders	8	—	—	(1,387,348)	(491,924)
(LOSS)/PROFIT AFTER DISTRIBUTION AND BEFORE TAX		(988,712)	1,200,574	(4,707,563)	498,643
Withholding taxes		(28,539)	(25,523)	(50,527)	(34,162)
(LOSS)/PROFIT AFTER TAX		(1,017,251)	1,175,051	(4,758,090)	464,481
Adjustment for different basis adopted by the Fund in arriving at net assets attributable to unitholders	6	(8,500)	(37,174)	(20,221)	(43,954)
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FROM OPERATIONS		(1,025,751)	1,137,877	(4,778,311)	420,527

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
		2018 USD	2017 USD	2018 USD	2017 USD
BALANCE AT THE BEGINNING OF THE YEAR		7,324,984	5,478,980	17,813,260	4,892,364
Subscription of units	6	83,498	778,141	29,763,156	12,806,942
Redemption of units	6	(1,115,940)	(70,014)	(3,319,660)	(391,837)
Reinvestment of distributions	6	—	—	177,450	85,264
(Decrease)/increase in net assets attributable to unitholders from operations		(1,025,751)	1,137,877	(4,778,311)	420,527
BALANCE AT THE END OF THE YEAR		<u>5,266,791</u>	<u>7,324,984</u>	<u>39,655,895</u>	<u>17,813,260</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
Note	2018 USD	2017 USD	2018 USD	2017 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Purchase of investments	(2,521,570)	(2,782,755)	(51,229,029)	(17,565,938)
Disposal of investments	3,833,434	1,943,420	25,741,837	5,985,032
Settlement of derivative financial instruments	(15,575)	181,980	(173,665)	101,634
Margin cash paid	—	—	(40,931)	(79,989)
Dividend income received	154,427	143,625	879,065	297,963
Interest on bank deposits received	2,752	1,187	10,706	3,639
Interest on investments received	—	—	112,860	35,163
Other income received	—	—	187	33,022
Management fee paid	(64,339)	(62,018)	(209,014)	(74,571)
Distribution fee paid	(32,171)	(31,009)	(122,951)	(43,865)
Trustee and custody fees paid	(34,121)	(28,526)	(86,519)	(52,570)
Registrar fee paid	(2,573)	(2,481)	(9,836)	(3,510)
Audit fees paid	(20,520)	(20,096)	(20,520)	(20,095)
Fund administration fee paid	(12,868)	(12,404)	(49,181)	(17,547)
Bank charges paid	(91)	(91)	(276)	(249)
Legal and professional fees paid	(2,466)	(4,298)	(3,352)	(3,443)
Other operating expenses paid	(9,422)	(4,913)	(10,170)	(8,336)
Preliminary expenses paid	—	—	—	(3,800)
Transaction costs paid	(5,837)	(6,923)	(34,040)	(10,917)
Withholding taxes paid	(28,539)	(25,523)	(50,527)	(34,162)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,240,521	(710,825)	(25,295,356)	(11,462,539)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscription of units	83,498	778,141	29,713,391	12,806,942
Redemption of units	(1,115,940)	(70,014)	(3,192,450)	(378,833)
Distributions	—	—	(1,209,898)	(406,660)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(1,032,442)	708,127	25,311,043	12,021,449
Net increase/(decrease) in cash and cash equivalents	208,079	(2,698)	15,687	558,910
Cash and cash equivalents at the beginning of the year	193,009	195,625	928,298	369,618
Effect of foreign exchange rate changes	(50)	82	(22)	(230)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5 401,038	193,009	943,963	928,298

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 General Information

Franklin Templeton Asia Fund Series (the “Trust”) was constituted under a Trust Deed dated 5 January 2016, between Franklin Templeton Investments (Asia) Limited (the “Manager”) and Cititrust Limited (the “Trustee”). The terms of the Trust Deed are governed by the laws of Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). The Trust is authorised by the Securities and Futures Commission of Hong Kong (the “SFC”).

The Trust is an umbrella fund, whereby comprising two sub-funds, namely Templeton Select Global Equity Fund and Franklin Select Global Multi-Asset Income Fund (the “Funds”). The Funds were launched and commenced operations on 5 July 2016.

Investment Fund	Objective
Templeton Select Global Equity Fund	To achieve capital appreciation through a policy of investing in equity securities of companies throughout the world, including emerging markets.
Franklin Select Global Multi-Asset Income Fund	To achieve a level of total return consisting of income and capital appreciation, allowing it to support a steady level of distribution.

The financial statements were authorised by the Manager and the Trustee for issue on 4 April 2019.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires the Trustee and Manager (collectively, the “Management”) to exercise their judgement in the process of applying the Funds’ accounting policies.

(a) Standards and amendments to existing standards effective 1 January 2018

HKFRS 9 “Financial Instruments” became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss impairment model.

HKFRS 9 has been applied retrospectively by the Funds and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2.3. The Funds’ investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Funds.

(b) *New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

2.2 Foreign currency translation

(a) **Functional and presentation currency**

The Funds’ net assets are invested globally. The Management considers the United States dollar (“USD”) to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Funds measure their performance and report their results. The financial statements are presented in USD which are the Funds’ functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gain and loss relating to cash and cash equivalents are presented in the statement of comprehensive income within “change in unrealised gain/loss on derivative financial instruments and foreign currency exchange” and “realised gain/(loss) on derivative financial instruments and foreign currency exchange”.

Foreign exchange gain and loss relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “change in unrealised gain/loss on fair value of investments”, “realised gain/(loss) on sale of investments”, “change in unrealised gain/loss on derivative financial instruments and foreign currency exchange” and “realised gain/(loss) on derivative financial instruments and foreign currency exchange”.

2.3 Financial assets

2.3.1 Classification

The Funds classify their investments based on both the Funds’ business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Funds’ debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

The Funds’ policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

2.3.2 Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Funds commit to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the “financial assets or financial liabilities at fair value through profit or loss” category are presented in the statement of comprehensive income within “change in unrealised gain/loss on fair value of investments” and “change in unrealised gain/loss on derivative financial instruments and foreign currency exchange” in the year in which they arise.

2.4 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Franklin Select Global Multi-Asset Income Fund considers all of its investments in quoted funds and exchange traded funds, together the “Underlying Funds”, to be investments in unconsolidated structured entities. The sub-fund invests in Underlying Funds whose objectives range from achieving medium to long term investment returns. The Underlying Funds apply various investment strategies to accomplish their respective investment objectives. The Underlying Funds finance their operations by issuing redeemable units which are puttable at the holder’s option and entitles the holder to a proportional stake in the respective fund’s net assets. The sub-fund holds redeemable units in each of its Underlying Funds.

The change in fair value of each Underlying Fund is included in the statement of comprehensive income in “change in unrealised gain/loss on fair value of investments”.

2.5 Derivative financial instruments

Derivative financial instruments represent forward foreign exchange contracts, futures, swaps and options. These instruments are entered into principally to manage foreign currency exposures or for trading purposes.

The Funds may enter into forward foreign exchange contracts to mitigate the risks associated with fluctuations in foreign exchange rates. A forward foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. These contracts are valued daily by the Funds and the net unrealised gain or loss on the contracts, as measured by the difference between the contractual forward foreign exchange rates and the forward rates at the year end date, is included in the statement of financial position.

Unrealised gains and losses on derivative financial instruments are presented as assets and liabilities respectively in the statement of financial position. Realised gains and losses and the net change in fair values are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (continued)

2.6 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Funds utilise the last traded market price as fair valuation inputs for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. Fixed income securities are valued by using quotes from brokers.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants.

Franklin Select Global Multi-Asset Income Fund's investment in the Underlying Funds is subject to the terms and conditions of the Underlying Funds' constitutional documents. The investment in the Underlying Funds is valued at fair value which is based on the latest net asset value or market price of the Underlying Funds' redeemable units, as the case maybe.

2.7 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy have occurred at the date of the event or change in circumstances that caused the transfer.

2.8 Income and expenses

(a) Dividend income

Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established.

(b) Interest income

Interest income is recognised in the statement of comprehensive income on a time-proportion basis using the effective interest method.

(c) Other income

Other income is recognised in the statement of comprehensive income on an accrual basis.

(d) Expenses

Expenses are recognised in the statement of comprehensive income on an accrual basis.

(e) Preliminary expenses

Preliminary expenses are recognised as an expense in the year in which they are incurred.

2.9 Taxation

No provision of Hong Kong profits tax has been made as the Funds were authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and hence their profits are excluded from the charge to profits tax under Section 26A of the Inland Revenue Ordinance.

The Funds may incur withholding taxes on certain investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

2.10 Proceeds and payments on subscription and redemption of units

The net asset values of the Funds are computed for each dealing day. Prices for subscriptions and redemptions of units are calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day.

Units in the Funds are classified as liabilities in the statements of financial position. This represents the price at which the unitholders can redeem the units.

2.11 Distributions payable to unitholders

Proposed distributions to unitholders are recognised in the statement of comprehensive income as finance cost when they are appropriately approved by the Manager.

The Manager may at its discretion determine to pay out of income or capital in respect of the distribution of the Funds.

2.12 Receivables

Receivables are initially recorded at fair value, and subsequently carried at amortised cost using the effective interest method. These are short term in nature and the carrying amounts approximate the fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Summary of significant accounting policies (continued)

2.13 Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14 Due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the year end date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amounts due from and due to brokers are short term in nature and the carrying amounts approximate the fair values.

2.15 Accrued expenses

Accrued expenses are recognised initially at fair value, and subsequently stated at amortised cost using the effective interest method. These are short term in nature and the carrying amounts approximate the fair values.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.17 Collateral

Cash collateral provided by Franklin Select Global Multi-Asset Income Fund is identified in the statement of financial position as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral Franklin Select Global Multi-Asset Income Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

3 Financial risk management

The Funds' activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Risks arising from holding financial instruments are inherent in the Funds' activities and are managed through a process of ongoing identification, measurement and monitoring. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date and risk management policies employed are disclosed in Notes 3.1 to 3.5.

Risks associated with Underlying Funds

Franklin Select Global Multi-Asset Income Fund's investments in the Underlying Funds are subject to the terms and conditions of the Underlying Funds' offering documentation and is susceptible to market price risk arising from uncertainties about future values of the Underlying Funds.

The right of the sub-fund to request redemption of its investments in the Underlying Funds are on a daily basis. The exchange traded funds are listed on stock exchanges and can be traded daily.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

Risks associated with Underlying Funds (continued)

The exposure to the investments in the Underlying Funds at fair value by strategy employed is disclosed in the following table. These investments are included under "Investments" in the statement of financial position.

31 December 2018	Strategy	Net asset value of the Underlying Funds USD	Investment fair value USD	% of net assets attributable to holders of redeemable units
QUOTED INVESTMENT FUNDS				
Franklin High Yield Fund	Fixed Income - High yield	1,649,532,551	5,322,555	13.42%
Franklin U.S. Opportunities Fund	U.S. equity	3,652,203,387	1,597,262	4.03%
Templeton Emerging Markets Bond Fund	Emerging markets bonds	10,038,338,990	1,699,007	4.29%
Templeton Global Equity Income Fund	Global equity	100,354,061	3,943,131	9.94%
EXCHANGE TRADED FUNDS				
Invesco Preferred Shares UCITS ETF	U.S. Preferred Stocks	138,739,203	2,795,255	7.05%
iShares Core Global Aggregate Bond UCITS ETF	Global Bonds	1,491,230,936	2,811,966	7.09%
iShares Core MSCI Japan IMI UCITS ETF	Japanese equity	3,126,731,452	976,923	2.46%
iShares USD Short Duration High Yield Corp. Bond UCITS ETF	U.S. high yield corporate bonds	738,743,801	2,382,200	6.01%
SPDR Gold Trust ETF	Financials	32,446,449,245	903,313	2.28%
31 December 2017	Strategy	Net asset value of the Underlying Funds USD	Investment fair value USD	% of net assets attributable to holders of redeemable units
QUOTED INVESTMENT FUNDS				
Franklin Global Listed Infrastructure Fund	Sector equity - infrastructure	72,474,529	712,518	4.00%
Franklin High Yield Fund	Fixed Income - High yield	2,244,265,896	2,680,123	15.04%
Templeton Emerging Markets Bond Fund	Emerging markets bonds	9,248,672,906	707,402	3.97%
Templeton Global Equity Income Fund	Global equity	163,829,713	1,705,687	9.58%
EXCHANGE TRADED FUNDS				
iShares JP Morgan USD Emerging Markets Bond ETF	Global emerging markets bonds	12,199,620,957	355,963	2.00%
iShares U.S. Preferred Stock ETF	U.S. Preferred Stocks	17,792,311,450	1,061,392	5.96%
SPDR Bloomberg Barclays High Yield Bond ETF	U.S. high yield corporate bonds	12,640,192,041	1,068,185	6.00%
SPDR Gold Trust ETF	Financials	34,899,146,661	358,585	2.01%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

Risks associated with Underlying Funds (continued)

The sub-fund's holding in the Underlying Funds, as a percentage of the Underlying Funds' total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Underlying Funds level. It is possible that the sub-fund may, at any point in time, hold a majority of the Underlying Funds' total units in issue.

The Franklin Select Global Multi-Asset Income Fund's maximum exposure to loss from its interests in the Underlying Funds are equal to the total fair value of its investments in the Underlying Funds.

Once the sub-fund has disposed of its units in the Underlying Funds, the sub-fund ceases to be exposed to any risk from the Underlying Funds.

The sub-fund's investment strategy is stated in Note 1. Total purchases in the Underlying Funds during the year ended 31 December 2018 was USD28,681,695 (2017: USD9,924,675). As at 31 December 2018, there was no capital commitment obligation and no amount due to the Underlying Funds for unsettled purchase (2017: Nil).

During the year ended 31 December 2018, total net loss derived from investments in the Underlying Funds were USD197,416 (2017: net gain of USD179,610).

3.1 Market risk

Information on the total fair value of financial instruments exposed to risk, as well as compliance with the established investment guidelines as defined in the Explanatory Memorandum, is monitored by the Manager. These investment guidelines reflect the strategy and market environment of the Funds, as well as the acceptable risk levels. In order to avoid excessive concentration of risk, the Manager monitors the exposure to ensure concentration of risk remains within acceptable levels. The Manager either reduces exposure or uses derivative instruments to manage excessive risk concentrations when they arise.

Although the Manager does not manage the Franklin Select Global Multi-Asset Income Fund based on specific risk exposures of the Underlying Funds, the sub-fund is exposed to various risks, including market price risk, currency risk, interest rate risk, liquidity risk and credit risk, through the investments of the Underlying Funds.

(a) Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' market positions are being monitored by the Manager on a daily basis. The risk is minimised through selection of securities in accordance with the investment guidelines and investment strategies.

Value-at-risk ("VaR")

One of the principal tools used to monitor market risk exposure is VaR; which estimates the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities, taking into account inter-relationships between different markets and rates, for example between interest rates and foreign exchange rates. The Funds track VaR as a percentage of net asset value ("NAV"), taking into account their portfolio, cash and outstanding trade positions, on 20-day holding period at 99% confidence level. Barra risk factor model and POINT risk factor model outputs are used to forecast the ex-ante Monte Carlo VaR at 99% confidence level over a 20-day horizon.

The Manager recognises that while VaR is a valuable guide to risk, it has its limitations. The use of historical data to derive correlations may not encompass all potential events, particularly events which may be extreme in nature. In addition, both the size and probability of actual portfolio losses can differ significantly from the losses predicted by VaR. As a result, VaR may be under-estimated or over-estimated due to the assumptions placed on the risk factors and the relationship between such factors.

Using VaR, the market risk of the Funds have been computed using a 20-day holding period at 99% as follows:

	31 December 2018		31 December 2017	
	%	USD	%	USD
Templeton Select Global Equity Fund	7.479	395,358	6.960	508,022
Franklin Select Global Multi-Asset Income Fund	2.970	1,180,653	2.501	446,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(a) Market price risk (continued)

As at year end, the overall market exposures for the Funds were as follows:

	Templeton Select Global Equity Fund			
	31 December 2018		31 December 2017	
	Fair value USD	% of net assets	Fair value USD	% of net assets
Listed Equities				
Belgium	46,648	0.89	65,110	0.89
Canada	116,968	2.22	141,722	1.93
China	289,828	5.50	338,771	4.62
Denmark	126,265	2.40	—	—
France	446,306	8.47	308,987	4.22
Germany	285,542	5.42	314,804	4.30
Hong Kong	64,823	1.23	69,059	0.94
Ireland	102,983	1.96	34,502	0.47
Israel	76,715	1.46	87,928	1.20
Italy	89,258	1.69	103,930	1.42
Japan	397,967	7.56	797,223	10.88
Luxembourg	66,227	1.26	57,583	0.79
Netherlands	98,913	1.88	223,087	3.05
Norway	49,144	0.93	102,789	1.40
Portugal	—	—	74,099	1.01
Singapore	76,633	1.46	117,655	1.61
South Korea	184,317	3.50	230,236	3.14
Switzerland	213,112	4.05	176,247	2.41
Taiwan	—	—	42,593	0.58
Thailand	60,167	1.14	59,171	0.81
United Kingdom	774,971	14.71	1,228,962	16.78
United States of America	1,312,200	24.91	2,531,699	34.56
Total Investments	4,878,987	92.64	7,106,157	97.01

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(a) Market price risk (continued)

Franklin Select Global Multi-Asset Income Fund				
	31 December 2018		31 December 2017	
	Fair value USD	% of net assets	Fair value USD	% of net assets
Quoted Investment Funds				
Luxembourg	12,561,955	31.68	5,805,730	32.59
Exchange Traded Funds				
Ireland	2,811,966	7.09	—	—
Japan	976,923	2.46	—	—
United States of America	6,080,768	15.34	2,844,125	15.97
Listed Equities				
Australia	185,459	0.47	124,122	0.70
Canada	244,282	0.62	148,088	0.83
China	271,112	0.68	21,485	0.12
Denmark	242,942	0.61	12,081	0.07
Finland	—	—	163,903	0.92
France	264,864	0.67	187,550	1.05
Germany	92,357	0.23	214,394	1.20
Hong Kong	84,152	0.21	59,420	0.33
Italy	90,271	0.23	—	—
Japan	1,000,036	2.52	222,203	1.25
Macao	52,564	0.13	—	—
Malaysia	37,003	0.09	—	—
Mexico	58,754	0.15	10,838	0.06
Netherlands	137,562	0.35	—	—
Norway	120,892	0.30	49,712	0.28
Singapore	—	—	183,873	1.03
South Africa	22,528	0.06	239,230	1.35
South Korea	254,429	0.64	34,410	0.19
Sweden	105,662	0.27	340,677	1.91
Switzerland	267,628	0.67	463,534	2.60
Taiwan	189,048	0.48	17,105	0.10
United Kingdom	549,346	1.39	408,469	2.30
United States of America	4,902,435	12.36	2,095,007	11.76
Quoted Fixed Income Securities				
China	1,738,753	4.38	—	—
United States of America	5,371,883	13.55	3,192,794	17.92
Total Investments	38,715,574	97.63	16,838,750	94.53
Futures				
Euro Community	11,687	0.03	12,598	0.07
Japan	—	—	5,253	0.03
United Kingdom	2,066	—*	(17,988)	(0.10)
United States of America	(16,345)	(0.04)	15,225	0.09
Total Futures	(2,592)	(0.01)	15,088	0.09
Options				
Euro Community	(2,557)	(0.01)	(801)	(0.01)
Japan	(13,433)	(0.03)	(1,295)	(0.01)
United States of America	(40,333)	(0.10)	(7,744)	(0.04)
Total Options	(56,323)	(0.14)	(9,840)	(0.06)
Swap				
United States of America	—	—	(46)	(-)*
Total Swap	—	—	(46)	(-)*

* Amount less than 0.01%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(a) Market price risk (continued)

There were no individual investments with market value exceeding 10% of the Funds' net asset value at 31 December 2018 and 2017 except for one individual investments of Franklin Select Global Multi-Asset Income Fund which constituted 13.42% (2017: 15.05%) of NAV.

The table below is a summary of sector allocation with concentrations exceeding 10% of the Funds' net asset value at 31 December 2018 and 2017.

Sector Allocation	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	2018 % of net assets	2017 % of net assets	2018 % of net assets	2017 % of net assets
Communication Services	10.27	—	—	—
Energy	10.54	12.16	—	—
Financials	19.42	21.64	59.94	54.42
Health Care	18.10	15.40	—	—
Information Technology	4.46	15.95	—	—
U.S. Governments Securities	—	—	13.55	17.92

(b) Currency risk

The Funds hold assets and liabilities denominated in currencies other than the USD, the functional currency. The Funds are therefore exposed to currency risk, as the values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Manager monitors the Funds' currency risk position on a daily basis and may enter into forward foreign exchange contracts to minimise the foreign exchange risk arising from the purchase or sale of foreign securities from the trade date to settlement date.

The outstanding forward foreign exchange contracts at the year end are disclosed in Note 4. The risks of these contracts include movements in the values of the foreign currencies relative to the USD and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the statement of financial position.

The following tables summarise the Funds' net exposure, monetary and non-monetary, which are denominated in the currencies other than USD and Hong Kong dollar, which are pegged within a narrow range, as at year end.

Templeton Select Global Equity Fund

	Monetary USD	Non-monetary USD
As at 31 December 2018		
CAD	196	116,968
CHF	1	213,112
CNH	1,610,718	—
DKK	2	126,265
EUR	829	1,251,137
GBP	2,197	659,711
JPY	978	397,967
KRW	1,841	138,139
NOK	—	49,144
SGD	1,766	76,633
THB	—	60,167
As at 31 December 2017		
CAD	6,115	107,029
CHF	—	149,053
EUR	9	1,049,471
GBP	2,223	885,906
JPY	1,303	650,161
KRW	2,024	132,335
NOK	—	84,207
SGD	1,214	97,098
THB	—	42,859

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(b) Currency risk (continued)

Franklin Select Global Multi-Asset Income Fund

	Monetary USD	Non-monetary USD
As at 31 December 2018		
AUD	—	185,459
CAD	514	244,282
CHF	—	211,646
CNH	7,990,425	—
CNY	1,753,975	—
DKK	—	242,942
EUR	(664,240)	664,877
GBP	(378,238)	525,505
JPY	(5,574)	1,000,036
KRW	2,361	254,429
MXN	—	58,754
MYR	—	37,003
NOK	—	120,892
SEK	—	105,662
TWD	—	189,048
ZAR	—	22,528
As at 31 December 2017		
AUD	(102,536)	128,589
CAD	(150,432)	145,891
CHF	—	441,676
DKK	—	9,951
EUR	(506,051)	599,878
GBP	(402,936)	296,117
JPY	2,292	214,527
KRW	836	31,413
MXN	(71,843)	10,692
NOK	—	41,607
SEK	—	341,291
SGD	1,463	172,924
TWD	—	17,555
ZAR	(207,649)	170,722

Foreign currency risk, as defined in HKFRS 7, arises as the value of future transactions, recognised monetary assets and liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. HKFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk, not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities. The sensitivity analysis of currency risk is covered under VaR analysis in Note 3.1 (a).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or fair values of financial instruments. The Franklin Select Global Multi-Asset Income Fund invests in interest-bearing securities, as dictated by its investment objectives. The sub-fund is exposed to risks associated with fluctuations in market interest rates which could result in an increase or decrease in the value of the securities held. The Manager monitors overall interest sensitivity on a daily basis.

The Templeton Select Global Equity Fund does not hold interest-bearing securities, hence it is not subject to significant interest rate risk.

The table below summarises the interest rate risk exposure in the Franklin Select Global Multi-Asset Income Fund. It includes the sub-fund's assets and liabilities at fair value, categorised by the earlier of contractual re-pricing or maturity dates.

Franklin Select Global Multi-Asset Income Fund

	Less than 1 month USD	1 to 12 months USD	More than 1 year USD	Non-interest bearing USD	Total USD
As at 31 December 2018					
Assets					
Investments	—	1,634,975	5,475,661	31,604,938	38,715,574
Due from brokers	—	—	—	31,985	31,985
Derivative financial instruments	—	—	—	47,186	47,186
Amounts receivable from subscription	—	—	—	49,765	49,765
Dividends and other accounts receivable	—	—	—	38,707	38,707
Margin cash	120,920	—	—	—	120,920
Cash and cash equivalents	943,963	—	—	—	943,963
Total assets	1,064,883	1,634,975	5,475,661	31,772,581	39,948,100
Liabilities					
Amount payable on redemption	—	—	—	140,214	140,214
Derivative financial instruments	—	—	—	75,002	75,002
Other accounts payable	—	—	—	76,989	76,989
Total liabilities	—	—	—	292,205	292,205
Total interest sensitivity gap	1,064,883	1,634,975	5,475,661		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.1 Market risk (continued)

(c) Interest rate risk (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

	Less than 1 month USD	1 to 12 months USD	More than 1 year USD	Non-interest bearing USD	Total USD
As at 31 December 2017					
Assets					
Investments	—	877,749	2,315,045	13,645,956	16,838,750
Due from brokers	—	—	—	4,800	4,800
Derivative financial instruments	—	—	—	76,837	76,837
Dividends and other accounts receivable	—	—	—	21,644	21,644
Margin cash	79,989	—	—	—	79,989
Cash and cash equivalents	928,298	—	—	—	928,298
Total assets	1,008,287	877,749	2,315,045	13,749,237	17,950,318
Liabilities					
Amount payable on redemption	—	—	—	13,004	13,004
Due to brokers	—	—	—	7,844	7,844
Derivative financial instruments	—	—	—	66,664	66,664
Other accounts payable	—	—	—	69,767	69,767
Total liabilities	—	—	—	157,279	157,279
Total interest sensitivity gap	1,008,287	877,749	2,315,045		

Cash and cash equivalents held in the Funds are also subject to interest rate risk. However, the exposure to interest rate risk is considered immaterial as the cash and cash equivalents are short-term in nature. The sensitivity analysis of interest rate risk is covered under VaR analysis in Note 3.1 (a).

3.2 Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities. The Funds are exposed to daily cash redemption of units. Therefore, assets of the Funds are mainly invested in securities which are traded in active markets and can be readily disposed of. The Manager is entitled to limit the number of units redeemed on each dealing day to 10% of the total value of units in issue. In addition, sufficient cash and cash equivalents are maintained to meet normal operating requirements.

The following table analyses the financial assets and liabilities for the Funds into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flow. Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Templeton Select Global Equity Fund

	Less than 1 month USD	1-12 months USD	Total USD
31 December 2018			
Assets			
Current assets			
Investments	4,878,987	—	4,878,987
Derivative financial instruments	6,506	—	6,506
Dividends and other accounts receivable	3,182	6,457	9,639
Cash and cash equivalents	401,038	—	401,038
Total assets	5,289,713	6,457	5,296,170
Liabilities			
Current liabilities			
Derivative financial instruments	285	—	285
Other accounts payable	8,311	20,783	29,094
Net assets attributable to unitholders (after amortisation of preliminary expenses)	5,266,791	—	5,266,791
Total liabilities	5,275,387	20,783	5,296,170
31 December 2017			
Assets			
Current assets			
Investments	7,106,157	—	7,106,157
Due from brokers	6,132	—	6,132
Derivative financial instruments	41,129	—	41,129
Dividends and other accounts receivable	7,632	—	7,632
Cash and cash equivalents	193,009	—	193,009
Total assets	7,354,059	—	7,354,059
Liabilities			
Current liabilities			
Other accounts payable	17,595	19,980	37,575
Net assets attributable to unitholders (after amortisation of preliminary expenses)	7,324,984	—	7,324,984
Total liabilities	7,342,579	19,980	7,362,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Franklin Select Global Multi-Asset Income Fund

	Up to 1 year USD	1 to 5 years USD	More than 5 years USD	Total USD
31 December 2018				
Assets				
Current assets				
Investments	33,239,913	3,002,533	2,473,128	38,715,574
Due from brokers	31,985	—	—	31,985
Derivative financial instruments	47,186	—	—	47,186
Amounts receivable from subscription	49,765	—	—	49,765
Dividends and other accounts receivable	38,707	—	—	38,707
Margin cash	120,920	—	—	120,920
Cash and cash equivalents	943,963	—	—	943,963
Total assets	34,472,439	3,002,533	2,473,128	39,948,100
Liabilities				
Current liabilities				
Amounts payable on redemption	140,214	—	—	140,214
Derivative financial instruments	75,002	—	—	75,002
Other accounts payable	76,989	—	—	76,989
Net assets attributable to unitholders (after amortisation of preliminary expenses)	39,655,895	—	—	39,655,895
Total liabilities	39,948,100	—	—	39,948,100
31 December 2017				
Assets				
Current assets				
Investments	14,523,705	823,059	1,491,986	16,838,750
Due from brokers	4,800	—	—	4,800
Derivative financial instruments	76,837	—	—	76,837
Dividends and other accounts receivable	21,644	—	—	21,644
Margin cash	79,989	—	—	79,989
Cash and cash equivalents	928,298	—	—	928,298
Total assets	15,635,273	823,059	1,491,986	17,950,318
Liabilities				
Current liabilities				
Amounts payable on redemption	13,004	—	—	13,004
Due to brokers	7,844	—	—	7,844
Derivative financial instruments	66,664	—	—	66,664
Other accounts payable	69,767	—	—	69,767
Net assets attributable to unitholders (after amortisation of preliminary expenses)	17,813,260	—	—	17,813,260
Total liabilities	17,970,539	—	—	17,970,539

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Units are redeemed on demand at unitholder's option. However, the Management does not envisage that contractual maturity disclosed in the table above will be representative of the actual cash outflows, as the unitholders typically retain their units for the medium term. The table below summarises the number of unitholders who held more than 10% of the Funds' net assets attributable to unitholders as at 31 December 2018 and 2017:

	2018 Number of unitholders	2017 Number of unitholders
Templeton Select Global Equity Fund	1	1
Franklin Select Global Multi-Asset Income Fund	3	2

3.3 Credit risk

This relates to the risk that an issuer or counterparty is unable or unwilling to meet a commitment or obligation it has entered into with the Funds. The Funds are exposed to credit risk on its investments in debt securities and balances with banks and brokers. Impairment provisions are made for losses that have been incurred by the reporting date, if any.

All transactions in listed/quoted securities are settled on a delivery versus payment basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the Funds' custodian banks have received payments. For a purchase, payments are made once the securities have been received by the Funds' custodian bank. The trade will fail if either party fails to meet its obligation.

The Funds only buy and sell securities through brokers who have been approved as an acceptable counterparty according to the Manager's internal counterparty credit review procedures. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018, all investments, amounts due from brokers, derivative financial instruments, margin cash and cash and cash equivalents are held with counterparties with a Moody's credit rating of A3 (2017: Baa2) or higher. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

Investments in Underlying Funds are managed by reputable investment managers that have passed the review process of the Manager.

The table below summarises the credit ratings of the issuers of the fixed income securities held as a percentage of net assets attributable to unitholders.

Franklin Select Global Multi-Asset Income Fund

Portfolio by rating category	2018	2017
Standard & Poor's / Moody's Rating		
AA+/Aa1	13.55%	17.92%
A+/A1	4.38%	—

The maximum exposure to credit risks at 31 December 2018 and 2017 is the carrying amount of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.4 Capital risk management

The capital of the Funds is represented by the net assets attributable to unitholders which is presented in the statement of financial position. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily subscriptions and redemptions at the discretion of unitholders.

The Funds' objectives when managing capital are to safeguard the Funds' ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders; and to maintain a strong capital base to support the development of the investment activities of the Funds. The Manager monitors capital on the basis of the net asset value and the subscriptions and redemptions of the Funds.

3.5 Fair value estimation

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The Funds used the last traded market price as their fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker and industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

HKFRS 13 requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- ▶ Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (Level 1).
- ▶ Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- ▶ Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Funds. The Funds consider observable data to be that market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses, within the fair value hierarchy, the Funds' investments measured at fair value as at year end:

Templeton Select Global Equity Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 December 2018				
Assets				
Equity securities	4,878,987	—	—	4,878,987
Forward foreign exchange contracts	—	6,506	—	6,506
	<u>4,878,987</u>	<u>6,506</u>	<u>—</u>	<u>4,885,493</u>
Liabilities				
Forward foreign exchange contracts	—	285	—	285
	<u>—</u>	<u>285</u>	<u>—</u>	<u>285</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

Templeton Select Global Equity Fund (continued)

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 December 2017				
Assets				
Equity securities	7,105,890	267	—	7,106,157
Forward foreign exchange contracts	—	41,129	—	41,129
	<u>7,105,890</u>	<u>41,396</u>	<u>—</u>	<u>7,147,286</u>

Franklin Select Global Multi-Asset Income Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 December 2018				
Assets				
Quoted investment funds	—	12,561,955	—	12,561,955
Exchange traded funds	9,869,657	—	—	9,869,657
Equity securities	9,173,326	—	—	9,173,326
Fixed income securities	1,272,616	5,838,020	—	7,110,636
Forward foreign exchange contracts	—	33,433	—	33,433
Futures contracts	13,753	—	—	13,753
	<u>20,329,352</u>	<u>18,433,408</u>	<u>—</u>	<u>38,762,760</u>
Liabilities				
Forward foreign exchange contracts	—	2,334	—	2,334
Futures contracts	16,345	—	—	16,345
Options	56,323	—	—	56,323
	<u>72,668</u>	<u>2,334</u>	<u>—</u>	<u>75,002</u>

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 December 2017				
Assets				
Quoted investment funds	—	5,805,730	—	5,805,730
Exchange traded funds	2,844,125	—	—	2,844,125
Equity securities	4,996,101	—	—	4,996,101
Fixed income securities	—	3,192,794	—	3,192,794
Forward foreign exchange contracts	—	43,761	—	43,761
Futures contracts	33,076	—	—	33,076
	<u>7,873,302</u>	<u>9,042,285</u>	<u>—</u>	<u>16,915,587</u>
Liabilities				
Forward foreign exchange contracts	—	38,790	—	38,790
Futures contracts	17,988	—	—	17,988
Options	9,840	—	—	9,840
Swaps	—	46	—	46
	<u>27,828</u>	<u>38,836</u>	<u>—</u>	<u>66,664</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities, fixed income securities, funds, futures and options. The Funds do not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, these securities use valuation techniques to derive the fair value. As at 31 December 2018 and 2017, the Funds did not have investments classified within Level 3.

For the years ended 31 December 2018 and 2017, there were no transfers of financial instruments between levels.

The assets and liabilities, except investments and derivative financial instruments, included in the statement of financial position are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

4 Derivative financial instruments

Derivative financial instruments as at year end comprises unrealised gain/loss on forward foreign exchange contracts, future contracts, options and swaps.

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	2018 USD	2017 USD	2018 USD	2017 USD
Assets				
Current assets				
Derivatives financial instruments				
- Forward foreign exchange contract	6,506	41,129	33,433	43,761
- Futures contract	—	—	13,753	33,076
Total	<u>6,506</u>	<u>41,129</u>	<u>47,186</u>	<u>76,837</u>
Liabilities				
Current liabilities				
Derivatives financial instruments				
- Forward foreign exchange contract	285	—	2,334	38,790
- Futures contract	—	—	16,345	17,988
- Options	—	—	56,323	9,840
- Swaps	—	—	—	46
Total	<u>285</u>	<u>—</u>	<u>75,002</u>	<u>66,664</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Derivative financial instruments (continued)

Templeton Select Global Equity Fund

The outstanding forward foreign exchange contracts as at the year end date are as follows:

31 December 2018	Contracts to Buy	Contract Amount USD	Settlement Date	Unrealised Gain USD
CNH	585,621	84,885	22-Jan-19	367
CNH	1,969,330	285,544	22-Jan-19	1,140*
CNH	306,950	44,500	22-Jan-19	184
CNH	378,186	54,841	22-Jan-19	213
CNH	1,096,007	158,875	22-Jan-19	675
CNH	1,336,922	193,831	22-Jan-19	790
CNH	1,459,687	211,586	22-Jan-19	906
CNH	1,920,720	278,576	22-Jan-19	1,032
CNH	2,255,808	327,378	22-Jan-19	1,009
CNH	411,705	59,744	22-Jan-19	190
Unrealised gain on forward foreign exchange contracts				6,506
	Contracts to Sell	Contract Amount USD	Settlement Date	Unrealised Loss USD
CNH	268,928	39,047	22-Jan-19	(102)
CNH	344,688	49,995	22-Jan-19	(183)
Unrealised loss on forward foreign exchange contracts				(285)
Net unrealised gain on forward foreign exchange contracts				6,221
31 December 2017	Contracts to Buy	Contract Amount USD	Settlement Date	Unrealised Gain USD
CNH	11,580,131	1,747,852	22-Jan-18	27,651
CNH	1,900,831	286,883	22-Jan-18	4,558*
CNH	1,096,007	165,411	22-Jan-18	2,632
CNH	840,555	126,870	22-Jan-18	2,007
CNH	745,974	112,558	22-Jan-18	1,818
CNH	411,705	62,130	22-Jan-18	994
CNH	306,950	46,314	22-Jan-18	748
CNH	300,777	45,395	22-Jan-18	721
Net unrealised gain on forward foreign exchange contracts				41,129

*The counterparty of these outstanding forward foreign exchange contracts is a related party of the Trustee. Refer to note 7(g) for details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Derivative financial instruments (continued)

Franklin Select Global Multi-Asset Income Fund

The outstanding forward foreign exchange contracts as at the year end date are as follows:

31 December 2018	Contracts to Buy	Contract Amount USD	Settlement Date	Unrealised Gain USD
CNH	8,151,985	1,181,618	22-Jan-19	5,100
CNH	11,144,136	1,615,851	22-Jan-19	6,447*
CNH	7,418,435	1,075,478	22-Jan-19	4,454
CNH	3,963,573	574,762	22-Jan-19	2,232
CNH	559,199	81,060	22-Jan-19	345
CNH	6,374,277	924,162	22-Jan-19	3,768
CNH	4,779,328	692,779	22-Jan-19	2,968
CNH	1,112,488	161,352	22-Jan-19	598
CNH	11,100,219	1,610,938	22-Jan-19	4,967
CNH	1,550,559	224,984	22-Jan-19	737
CNH	292,653	42,468	22-Jan-19	135
	Contracts to Sell	Contract Amount USD	Settlement Date	Unrealised Gain USD
GBP	300,000	385,206	19-Feb-19	1,682
Unrealised gain on forward foreign exchange contracts				33,433
	Contracts to Sell	Contract Amount USD	Settlement Date	Unrealised Loss USD
CNH	1,347,908	195,014	22-Jan-19	(1,206)*
EUR	587,500	674,879	19-Feb-19	(1,128)
Unrealised loss on forward foreign exchange contracts				(2,334)
Net unrealised gain on forward foreign exchange contracts				31,099

*The counterparty of these outstanding forward foreign exchange contracts is a related party of the Trustee. Refer to note 7(g) for details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Derivative financial instruments (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

31 December 2017	Contracts to Sell	Contract Amount USD	Settlement Date	Unrealised Gain USD
MXN	1,379,000	71,843	7-Mar-18	2,562
	Contracts to Buy	Contract Amount USD	Settlement Date	Unrealised Gain USD
CNH	13,203,302	1,992,846	22-Jan-18	31,527
CNH	1,757,460	265,176	22-Jan-18	4,284
CNH	1,052,003	158,749	22-Jan-18	2,548
CNH	559,199	84,395	22-Jan-18	1,343
CNH	324,477	48,959	22-Jan-18	790
CNH	292,653	44,164	22-Jan-18	707
Unrealised gain on forward foreign exchange contracts				43,761
	Contracts to Sell	Contract Amount USD	Settlement Date	Unrealised Loss USD
ZAR	2,875,000	207,650	7-Mar-18	(22,357)
EUR	427,500	507,257	7-Mar-18	(7,748)
AUD	136,300	102,536	7-Mar-18	(3,791)
CAD	193,500	151,094	7-Mar-18	(2,970)
GBP	300,000	404,110	7-Mar-18	(1,924)
Unrealised loss on forward foreign exchange contracts				(38,790)
Net unrealised gain on forward foreign exchange contracts				4,971

The futures held as at the year end date are as follows:

31 December 2018	Contract size	Notional Amount	Fair value USD
Description			
EURO STOXX 50 Index, March, 3/15/19	(15)	EUR(456,300)	11,687
FTSE 100 Index, March, 3/15/19	(4)	GBP(267,980)	2,066
Unrealised gain on futures			13,753
	Contract size	Notional Amount	Fair value USD
Description			
MSCI Emerging Markets Index, March, 3/15/19	10	USD490,100	(6,700)
S&P 500 E-Mini, March, 3/15/19	6	USD761,205	(9,645)
Unrealised loss on futures			(16,345)
Net unrealised loss on futures			(2,592)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Derivative financial instruments (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

31 December 2017	Contract size	Notional Amount	Fair value USD
Description			
MSCI Emerging Markets Index, March, 3/16/18	7	USD392,070	15,225
EURO STOXX 50 Index, March, 3/16/18	(15)	EUR(534,450)	12,598
Nikkei 225 Mini, March, 3/08/18	32	JPY72,208,000	5,253
Unrealised gain on futures			33,076
Description	Contract size	Notional Amount	Fair value USD
FTSE 100 Index, March, 3/16/18	(4)	GBP(292,200)	(17,988)
Unrealised loss on futures			(17,988)
Net unrealised gain on futures			15,088

The options held as at the year end date are as follows:

31 December 2018	Position held	Fair value USD
DJ Euro STOXX 50, Expires 1/04/19, Call Option, Strike Price EUR3,065.80	(294)	(851)
DJ Euro STOXX 50, Expires 1/11/19, Call Option, Strike Price EUR3,095.144	(294)	(1,706)
MSCI Emerging Markets Index, Expires 1/11/19, Call Option, Strike Price USD984.464	(942)	(7,151)
MSCI Emerging Markets Index, Expires 1/11/19, Call Option, Strike Price USD999.128	(937)	(3,551)
Nikkei 225, Expires 1/04/19, Call Option, Strike Price JPY20,795.84	(5,001)	(1,366)
Nikkei 225, Expires 1/11/19, Call Option, Strike Price JPY20,397.09	(5,050)	(12,067)
S&P 500 Index, Expires 1/11/19, Call Option, Strike Price USD2,544.574	(729)	(17,439)
S&P 500 Index, Expires 1/11/19, Call Option, Strike Price USD2,566.76	(722)	(12,192)
Net unrealised loss on options		(56,323)
31 December 2017	Position held	Fair value USD
DJ Euro STOXX 50, Expires 1/12/18 Call Option, Strike Price EUR3,589.48	(190)	(801)
MSCI Emerging Markets Index, Expires 1/05/18 Call Option, Strike Price USD1,164.126	(390)	(6,116)
MSCI Emerging Markets Index, Expires 1/12/18 Call Option, Strike Price USD1,184.628	(383)	(845)
Nikkei 225, Expires 1/05/18 Call Option, Strike Price JPY23,356.98	(2,424)	(116)
Nikkei 225, Expires 1/12/18 Call Option, Strike Price JPY23,205	(2,418)	(1,179)
SPDR Gold Trust ETF, Expires 1/12/18 Call Option, Strike Price USD126	(29)	(783)
Net unrealised loss on options		(9,840)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Derivative financial instruments (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

The Fund did not hold any swaps as at 31 December 2018.

The swaps held as at 31 December 2017 are as follows:

31 December 2017	Position held	Notional value USD	Fair value USD
Barclays Dynamic VIX Backwardation	500,000	500,000	(46)
Net unrealised loss on swap			(46)

5 Cash and cash equivalents and margin cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of 3 months or less:

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	2018 USD	2017 USD	2018 USD	2017 USD
Cash at bank	401,038	193,009	943,963	928,298

The following table summarises the pledged assets of Franklin Select Global Multi-Asset Income Fund. These pledged assets are included as part of margin cash in the statement of financial position.

	2018 USD	2017 USD
Margin cash	120,920	79,989

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Number of units in issue and net assets attributable to unitholders

The Funds have no regulatory imposed restrictions or specific capital requirements on the subscriptions and redemptions of units. The Manager is entitled to limit the daily redemptions to 10% of the total units in issue. The relevant movements are shown in the statement of changes in net assets attributable to unitholders. In accordance with the objectives outlined in Note 1 and the financial risk management policies in Note 3, the Manager endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings of up to 25% of the latest available net asset value of the Funds or disposal of securities where necessary.

The movements of units during the year are as follows:

Templeton Select Global Equity Fund – Class A (Acc)						
	31 December 2018			31 December 2017		
	USD	HKD	RMB-H1	USD	HKD	RMB-H1
Number of units in issue at the beginning of the year	153,507.29	1,567,085.04	1,354,070.39	150,000.00	1,163,775.00	1,338,030.00
Subscription of units	4,319.89	11,102.30	3,523.77	5,576.62	430,668.89	16,040.39
Redemption of units	(3,429.40)	(213,711.64)	(326,744.60)	(2,069.33)	(27,358.85)	—
Number of units in issue at the end of the year	<u>154,397.78</u>	<u>1,364,475.70</u>	<u>1,030,849.56</u>	<u>153,507.29</u>	<u>1,567,085.04</u>	<u>1,354,070.39</u>
Franklin Select Global Multi-Asset Income Fund – Class A (Mdis)						
	31 December 2018			31 December 2017		
	USD	HKD	RMB-H1	USD	HKD	RMB-H1
Number of units in issue at the beginning of the year	700,409.94	6,136,961.67	1,708,862.77	151,023.62	1,163,775.00	1,358,335.86
Subscription of units	862,293.27	11,587,792.77	5,290,729.36	566,249.09	5,074,167.26	354,924.31
Redemption of units	(86,739.71)	(1,334,895.43)	(699,540.66)	(17,619.39)	(154,582.42)	(9,800.00)
Reinvestments	1,481.80	113,707.63	16,699.15	756.62	53,601.83	5,402.60
Number of units in issue at the end of the year	<u>1,477,445.30</u>	<u>16,503,566.64</u>	<u>6,316,750.62</u>	<u>700,409.94</u>	<u>6,136,961.67</u>	<u>1,708,862.77</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Number of units in issue and net assets attributable to unitholders (continued)

The following table details the net asset value per unit of each class of units at the year end:

Templeton Select Global Equity Fund				
	31 December 2018		31 December 2017	
	Net assets per class USD	Net asset value per unit	Net assets per class USD	Net asset value per unit
Class A (Acc) USD	1,664,698	USD10.78	1,966,089	USD12.81
Class A (Acc) HKD	1,896,216	HKD10.88	2,587,018	HKD12.90
Class A (Acc) RMB-H1	1,705,877	CNH11.37	2,771,877	CNH13.33
Net assets attributable to unitholders (after amortisation of preliminary expenses)	5,266,791		7,324,984	

Franklin Select Global Multi-Asset Income Fund				
	31 December 2018		31 December 2017	
	Net assets per class USD	Net asset value per unit	Net assets per class USD	Net asset value per unit
Class A (Mdis) USD	12,838,373	USD8.69	7,072,484	USD10.10
Class A (Mdis) HKD	18,479,785	HKD8.77	7,984,580	HKD10.16
Class A (Mdis) RMB-H1	8,337,737	CNH9.07	2,756,196	CNH10.51
Net assets attributable to unitholders (after amortisation of preliminary expenses)	39,655,895		17,813,260	

Preliminary expenses

In accordance with the explanatory memorandum, the preliminary expenses incurred in the establishment of the Funds are borne by the Funds. Such expenses will be paid out of the assets of the Funds and amortised over 5 years or as determined by the Manager for the purpose of calculating net asset value for subscription or redemption purposes. However, as stated in Note 2.8(e), the accounting policy of the Funds for the purpose of compliance with HKAS 38, "Intangible Assets" and for reporting purpose is to charge the expenses incurred in the establishment of the Funds at the year end in which they arose. For the year ended 31 December 2018, preliminary expenses of USD6,582 (2017: USD31,670) for Templeton Select Global Equity Fund and USD25,952 (2017: USD34,807) for Franklin Select Global Multi-Asset Income Fund have been written back. As at 31 December 2018, there were no unamortised preliminary expenses for Templeton Select Global Equity Fund and Franklin Select Global Multi-Asset Income Fund (2017: USD8,500 and USD20,221 respectively) which was recognised as "adjustment for different basis adopted by the Funds in arriving at net assets attributable to unitholders" in the statement of financial position.

Net asset attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount that would be payable at the statement of financial position date if the unitholders exercised the right to redeem the units. Consequently, for the year ended 31 December 2018, the difference described above of USD(8,500) and USD(20,221) [2017: USD(37,174) and USD(43,954)] are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Transactions with related parties including the Trustee, the Manager and its connected persons

The following is a summary of significant related party transactions/transactions entered into during the year between the Funds, the Trustee, the Manager and its connected persons. Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the year were carried out in the normal course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Funds do not have any other transactions with connected persons except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each of the Funds as a percentage of the net asset value of each class of units in each of the Funds as at each valuation day at the rates set out as follows, subject to a maximum fee of 3.00% per annum:

Templeton Select Global Equity Fund	Franklin Select Global Multi-Asset Income Fund
1.00%	0.85%

(b) Trustee and custody fees

The Trustee, Cititrust Limited, is entitled to receive a Trustee fee calculated at a rate of 0.04% per annum of the net asset value of each of the Funds.

The Funds utilise the custodian and banking services of the Trustee and its associates.

(c) Registrar fee

The Manager, which is also the Registrar, is entitled to receive a fee up to 0.04% per annum of the respective Funds’ net asset value for registrar and transfer agent services, with the actual fee subject to certain variables. The fee shall be payable monthly in arrears.

(d) Fund administration fee

The Funds’ administrator which is the same entity as the Manager is entitled to receive fund administration fee of 0.20% per annum of the respective Funds’ net asset value. The Funds’ administration fee shall accrue daily based on the net asset value of the respective Funds and shall be payable monthly in arrears.

(e) The following table details the related-party transactions as at year end:

Templeton Select Global Equity Fund

	Expenses		Accruals	
	2018 USD	2017 USD	2018 USD	2017 USD
Management fee	62,821	63,449	4,587	6,105
Trustee and custody fees	34,060	28,584	330	391
Registrar fee	2,513	2,538	184	244
Fund administration fee	12,564	12,690	917	1,221
Total	111,958	107,261	6,018	7,961

Franklin Select Global Multi-Asset Income Fund

	Expenses		Accruals	
	2018 USD	2017 USD	2018 USD	2017 USD
Management fee	225,910	83,399	29,250	12,354
Trustee and custody fees	87,315	52,985	1,521	725
Registrar fee	10,631	3,925	1,376	581
Fund administration fee	53,156	19,624	6,882	2,907
Total	377,012	159,933	39,029	16,567

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Transactions with related parties including the Trustee, the Manager and its connected persons (continued)

(f) Investment transactions with associates of the Trustee

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	2018	2017	2018	2017
Citigroup Global Markets Inc. ("Citi")				
Aggregate value of purchase and sale of securities transacted by Citi (USD)	317,564	12,342	1,311	1,066,366
% of total purchases and sales of securities during the year	5.01	0.26	0.00	4.29
Total commission paid to Citi (USD)	281	13	1.00	757
Average commission rate (%)	0.09	0.11	0.08	0.07
Total commission paid by the Funds (USD)	<u>5,837</u>	<u>6,923</u>	<u>34,040</u>	<u>10,917</u>

(g) The following table sets out the open forward foreign exchange contracts whose counterparty, Citibank N.A., is a related party of the Trustee at 31 December 2018 and 2017.

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	2018 USD	2017 USD	2018 USD	2017 USD
Assets				
Forward foreign exchange contracts	<u>1,140</u>	<u>4,558</u>	<u>6,447</u>	<u>—</u>
	<u>1,140</u>	<u>4,558</u>	<u>6,447</u>	<u>—</u>
Liabilities				
Forward foreign exchange contracts	<u>—</u>	<u>—</u>	<u>1,206</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>1,206</u>	<u>—</u>

Refer to note 4 for details of these open forward foreign exchange contracts.

(h) Investment transactions with Underlying Funds

The following Underlying Funds are managed by related companies of the Manager within the same group. The following table details the related-party transactions during the years ended 31 December 2018 and 2017 for Franklin Select Global Multi-Asset Income Fund:

	Purchases		Sales	
	2018 USD	2017 USD	2018 USD	2017 USD
Franklin Global Listed Infrastructure Fund	689,470	484,513	1,344,069	264,557
Franklin High Yield Fund	4,322,002	272,435	1,291,908	—
Franklin U.S. Opportunities Fund	2,337,014	—	523,165	—
Templeton Emerging Markets Bond Fund	1,336,842	581,324	198,057	138,707
Templeton Global Equity Income Fund	5,183,942	1,676,218	2,179,705	—
Franklin Global High Income Fund	—	1,841,942	—	4,885
Franklin Global Real Estate Fund	—	244,368	—	512,564

Refer to note 3 for further details on these Underlying Funds.

(i) Cash and cash equivalents

All bank balances of the Funds are held in interest bearing accounts with Citibank, N.A. (Hong Kong Branch), and are earning interest amounting to USD2,752 (2017: USD1,187) for Templeton Select Global Equity Fund and USD10,706 (2017: USD3,639) for Franklin Select Global Multi-Asset Income Fund for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Transactions with related parties including the Trustee, the Manager and its connected persons (continued)

(j) Interest in a related party of the Trustee

The following table details the number of shares held in Citigroup Inc. at 31 December 2018 and 2017 by Templeton Select Global Equity Fund.

	Shareholding	
	2018	2017
At the beginning of the year	1,710	1,620
Purchases	-	280
Sales	(440)	(190)
At the end of the year	1,270	1,710

8 Distributions

Franklin Select Global Multi-Asset Income Fund

The sub-fund pays out distributions on a monthly basis to unitholders of all Classes – A (Mdis) USD, A (Mdis) HKD and A (Mdis) RMB-H1.

The following table summarises the distributions paid by the sub-fund:

For the year ended 31 December 2018	Distribution date	Distribution amount USD
<u>Class A (Mdis) USD</u>		
Distribution of USD0.043 per unit	16 January 2018	30,119
Distribution of USD0.043 per unit	15 February 2018	30,528
Distribution of USD0.041 per unit	15 March 2018	29,191
Distribution of USD0.041 per unit	18 April 2018	29,197
Distribution of USD0.041 per unit	16 May 2018	29,203
Distribution of USD0.040 per unit	15 June 2018	28,624
Distribution of USD0.040 per unit	17 July 2018	28,630
Distribution of USD0.040 per unit	15 August 2018	37,503
Distribution of USD0.040 per unit	17 September 2018	48,855
Distribution of USD0.040 per unit	16 October 2018	55,236
Distribution of USD0.038 per unit	15 November 2018	56,262
Distribution of USD0.038 per unit	17 December 2018	58,630
<u>Class A (Mdis) HKD</u>		
Distribution of HKD0.043 per unit	16 January 2018	33,934
Distribution of HKD0.043 per unit	15 February 2018	38,828
Distribution of HKD0.042 per unit	15 March 2018	38,588
Distribution of HKD0.041 per unit	18 April 2018	39,294
Distribution of HKD0.041 per unit	16 May 2018	39,310
Distribution of HKD0.041 per unit	15 June 2018	39,216
Distribution of HKD0.040 per unit	17 July 2018	38,062
Distribution of HKD0.041 per unit	15 August 2018	53,933
Distribution of HKD0.040 per unit	17 September 2018	62,776
Distribution of HKD0.040 per unit	16 October 2018	68,393
Distribution of HKD0.039 per unit	15 November 2018	84,113
Distribution of HKD0.038 per unit	17 December 2018	81,331

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Distributions (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

For the year ended 31 December 2018	Distribution date	Distribution amount USD
<u>Class A (Mdis) RMB-H1</u>		
Distribution of CNH0.044 per unit	16 January 2018	11,701
Distribution of CNH0.045 per unit	15 February 2018	12,616
Distribution of CNH0.061 per unit	15 March 2018	17,297
Distribution of CNH0.059 per unit	18 April 2018	17,177
Distribution of CNH0.058 per unit	16 May 2018	16,652
Distribution of CNH0.054 per unit	15 June 2018	15,925
Distribution of CNH0.052 per unit	17 July 2018	14,791
Distribution of CNH0.052 per unit	15 August 2018	27,364
Distribution of CNH0.051 per unit	17 September 2018	33,673
Distribution of CNH0.051 per unit	16 October 2018	46,792
Distribution of CNH0.049 per unit	15 November 2018	47,086
Distribution of CNH0.048 per unit	17 December 2018	46,518
		<u>1,387,348</u>

For the year ended 31 December 2017	Distribution date	Distribution amount USD
<u>Class A (Mdis) USD</u>		
Distribution of USD0.041 per unit	17 January 2017	6,192
Distribution of USD0.042 per unit	15 February 2017	6,345
Distribution of USD0.042 per unit	15 March 2017	6,412
Distribution of USD0.042 per unit	20 April 2017	6,443
Distribution of USD0.042 per unit	17 May 2017	6,442
Distribution of USD0.043 per unit	15 June 2017	8,981
Distribution of USD0.042 per unit	17 July 2017	9,022
Distribution of USD0.042 per unit	15 August 2017	9,028
Distribution of USD0.042 per unit	15 September 2017	9,058
Distribution of USD0.042 per unit	18 October 2017	29,961
Distribution of USD0.042 per unit	15 November 2017	30,024
Distribution of USD0.042 per unit	15 December 2017	29,400
<u>Class A (Mdis) HKD</u>		
Distribution of HKD0.041 per unit	17 January 2017	6,006
Distribution of HKD0.042 per unit	15 February 2017	6,300
Distribution of HKD0.042 per unit	15 March 2017	7,349
Distribution of HKD0.042 per unit	20 April 2017	9,210
Distribution of HKD0.042 per unit	17 May 2017	10,881
Distribution of HKD0.043 per unit	15 June 2017	21,465
Distribution of HKD0.043 per unit	17 July 2017	23,153
Distribution of HKD0.043 per unit	15 August 2017	24,745
Distribution of HKD0.043 per unit	15 September 2017	25,565
Distribution of HKD0.043 per unit	18 October 2017	26,511
Distribution of HKD0.043 per unit	15 November 2017	26,897
Distribution of HKD0.043 per unit	15 December 2017	27,388

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Distributions (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

For the year ended 31 December 2017	Distribution date	Distribution amount USD
<u>Class A (Mdis) RMB-H1</u>		
Distribution of CNHO.042 per unit	17 January 2017	8,295
Distribution of CNHO.043 per unit	15 February 2017	8,547
Distribution of CNHO.043 per unit	15 March 2017	8,563
Distribution of CNHO.043 per unit	20 April 2017	9,033
Distribution of CNHO.044 per unit	17 May 2017	9,460
Distribution of CNHO.044 per unit	15 June 2017	9,999
Distribution of CNHO.044 per unit	17 July 2017	10,078
Distribution of CNHO.044 per unit	15 August 2017	10,407
Distribution of CNHO.044 per unit	15 September 2017	10,806
Distribution of CNHO.044 per unit	18 October 2017	11,375
Distribution of CNHO.044 per unit	15 November 2017	11,214
Distribution of CNHO.044 per unit	15 December 2017	11,369
		<u>491,924</u>

9 Soft commission arrangement

The Manager and its connected persons may effect transactions for the account of the Funds through the agency of another person with whom the Manager and its connected persons have an arrangement under which such other person agrees to pay in whole or in part for the provision of goods to and/or the supply of services to the Manager or its connected persons in consideration of the Manager or its connected persons procuring that such other person (or person connected thereto) executes transactions to be entered into for the account of the Funds.

The Manager shall procure that no such contractual arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to unitholders whether by assisting the Manager in its ability to manage the Funds or otherwise. Research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment related publications may be considered as beneficial to unitholders.

During the years ended 31 December 2018 and 2017, the Manager and its connected persons entered into soft commission arrangements with brokers relating to dealing in the assets of the Funds, consistent with the above.

10 Bank loans, overdrafts and other borrowings

The Funds had no bank loans, overdrafts or other borrowings as at 31 December 2018 and 2017.

11 Security lending arrangements

The Funds did not enter into any security lending arrangements during the years ended 31 December 2018 and 2017.

12 Negotiability of assets

As at 31 December 2018 and 2017, other than as disclosed in Note 5, there was no statutory or contractual requirement restricting the negotiability of the assets of the Funds.

13 Commitments

The Funds had no commitment as at 31 December 2018 and 2017.

14 Contingent liabilities

The Funds had no contingent liability as at 31 December 2018 and 2017.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 DECEMBER 2018

TEMPLETON SELECT GLOBAL EQUITY FUND

	Holdings	Fair value (USD)	% of NAV
Investments (92.64%)			
Listed Equities (92.64%)			
Belgium (0.89%)			
UCB SA	571	46,648	0.89
Canada (2.22%)			
Goldcorp Inc.	2,700	26,447	0.50
Husky Energy Inc.	2,760	28,531	0.54
Wheaton Precious Metals Corp.	3,175	61,990	1.18
China (5.50%)			
Baidu Inc., ADR	375	59,475	1.13
China Life Insurance Co. Ltd., H	24,600	52,276	0.99
China Mobile Ltd.	9,800	94,302	1.79
China Telecom Corp. Ltd., H	164,000	83,775	1.59
Denmark (2.40%)			
A.P. Moeller-Maersk AS, B	42	52,835	1.00
Vestas Wind Systems AS	970	73,430	1.40
France (8.47%)			
AXA SA	2,600	56,179	1.07
BNP Paribas SA	1,875	84,807	1.61
Credit Agricole SA	3,164	34,187	0.65
Sanofi	1,230	106,630	2.02
Total SA	1,516	80,216	1.52
Veolia Environnement SA	4,097	84,287	1.60
Germany (5.42%)			
Bayer AG	845	58,771	1.12
E.ON SE	5,870	57,947	1.10
Fresenius Medical Care AG & Co. KGaA	651	42,200	0.80
Merck KGaA	585	60,218	1.14
Siemens AG	595	66,406	1.26
Hong Kong (1.23%)			
CK Hutchison Holdings Ltd.	6,750	64,823	1.23
Ireland (1.96%)			
Bank of Ireland Group PLC	9,130	50,802	0.97
CRH PLC	1,970	52,181	0.99
Israel (1.46%)			
Teva Pharmaceutical Industries Ltd., ADR	4,975	76,715	1.46
Italy (1.69%)			
Eni SpA	5,650	89,258	1.69
Japan (7.56%)			
Mitsui Fudosan Co. Ltd.	2,800	62,464	1.19
Panasonic Corp.	8,460	76,464	1.45
Seven & i Holdings Co. Ltd.	2,290	99,937	1.90
Sumitomo Rubber Industries Ltd.	1,870	22,181	0.42
Suntory Beverage & Food Ltd.	1,535	69,467	1.32
Taiheiyo Cement Corp.	1,250	38,720	0.73
Takeda Pharmaceutical Co. Ltd.	850	28,734	0.55

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

TEMPLETON SELECT GLOBAL EQUITY FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (92.64%) (continued)			
Luxembourg (1.26%)			
SES SA, IDR	3,459	66,227	1.26
Netherlands (1.88%)			
ING Groep NV	6,781	73,113	1.39
QIAGEN NV	755	25,800	0.49
Norway (0.93%)			
Yara International ASA	1,275	49,144	0.93
Singapore (1.46%)			
Singapore Telecommunications Ltd.	35,650	76,633	1.46
South Korea (3.50%)			
Hana Financial Group Inc.	1,574	51,232	0.97
KB Financial Group Inc., ADR	1,100	46,178	0.88
Samsung Electronics Co. Ltd.	2,501	86,907	1.65
Switzerland (4.05%)			
Landis+Gyr Group AG	425	23,962	0.46
Roche Holding AG	435	108,058	2.05
UBS Group AG	6,498	81,092	1.54
Thailand (1.14%)			
Bangkok Bank PCL, fgn.	9,400	60,167	1.14
United Kingdom (14.71%)			
BAE Systems PLC	3,947	23,113	0.44
BP PLC	20,807	131,596	2.50
Cobham PLC	35,364	44,070	0.84
HSBC Holdings PLC	6,489	53,532	1.02
Johnson Matthey PLC	685	24,451	0.46
Kingfisher PLC	19,546	51,722	0.98
Man Group PLC	12,690	21,523	0.41
Prudential PLC	2,460	43,982	0.83
Royal Dutch Shell PLC, A	3,921	115,260	2.19
Shire PLC	1,440	83,922	1.59
Standard Chartered PLC	14,321	111,276	2.11
Vodafone Group PLC	36,169	70,524	1.34
United States of America (24.91%)			
Allergan PLC	535	71,508	1.36
Alphabet Inc., A	25	26,124	0.50
Amgen Inc.	276	53,729	1.02
Apache Corp.	1,220	32,025	0.61
Capital One Financial Corp.	1,100	83,149	1.58
Celgene Corp.	560	35,890	0.68
Citigroup Inc.	1,270	66,116	1.25
Comcast Corp., A	1,870	63,673	1.21
Coty Inc., A	5,790	37,982	0.72
Eli Lilly & Co.	430	49,760	0.94
Exxon Mobil Corp.	1,150	78,419	1.49
Gilead Sciences Inc.	1,170	73,183	1.39
Jones Lang LaSalle Inc.	265	33,549	0.64
Kellogg Co.	1,040	59,290	1.13
Mattel Inc.	4,770	47,652	0.90
Oracle Corp.	2,750	124,162	2.36
Perrigo Co. PLC	810	31,388	0.60

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

TEMPLETON SELECT GLOBAL EQUITY FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (92.64%) (continued)			
United States of America (24.91%) (continued)			
Tapestry Inc.	1,225	41,344	0.78
The Kroger Co.	2,850	78,375	1.49
United Parcel Service Inc., B	945	92,166	1.75
Walgreens Boots Alliance Inc.	1,160	79,263	1.50
Wells Fargo & Co.	1,160	53,453	1.01
Total Investments		4,878,987	92.64
Net Forward Foreign Exchange Contracts Value (Note 4)		6,221	0.11
		4,885,208	92.75
Other Net Assets		381,583	7.25
Net Assets as at 31 December 2018		5,266,791	100.00
Total Investments at cost as at 31 December 2018		5,534,869	

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND

	Holdings	Fair value (USD)	% of NAV
Investments (97.63%)			
Quoted Investment Funds (31.68%)			
Luxembourg (31.68%)			
Franklin High Yield Fund	606,214	5,322,555	13.42
Franklin U.S. Opportunities Fund	131,354	1,597,262	4.03
Templeton Emerging Markets Bond Fund	200,591	1,699,007	4.29
Templeton Global Equity Income Fund	375,536	3,943,131	9.94
Exchange Traded Funds (24.89%)			
Ireland (7.09%)			
iShares Core Global Aggregate Bond UCITS ETF	552,775	2,811,966	7.09
Japan (2.46%)			
iShares Core MSCI Japan IMI UCITS ETF	26,100	976,923	2.46
United States of America (15.34%)			
Invesco Preferred Shares UCITS ETF	156,575	2,795,255	7.05
iShares USD Short Duration High Yield Corp. Bond UCITS ETF	26,875	2,382,200	6.01
SPDR Gold Trust ETF	7,450	903,313	2.28
Listed Equities (23.13%)			
Australia (0.47%)			
AGL Energy Ltd.	2,050	29,753	0.08
Cochlear Ltd.	275	33,629	0.08
CSL Ltd.	475	61,966	0.16
Woolworths Group Ltd.	2,900	60,111	0.15
Canada (0.62%)			
Bombardier Inc., B	9,780	14,545	0.04
Canadian Natural Resources Ltd.	855	20,634	0.05
Husky Energy Inc.	1,765	18,245	0.05
Industrial Alliance Insurance and Financial Services Inc.	530	16,918	0.04
Magna International Inc.	955	43,358	0.11
Manulife Financial Corp.	3,285	46,617	0.12
Suncor Energy Inc.	1,125	31,427	0.08
Teck Resources Ltd., B	2,440	52,538	0.13
China (0.68%)			
Anhui Conch Cement Co. Ltd., H	6,000	29,117	0.07
Autohome Inc., ADR	300	23,469	0.06
Bank of Communications Co. Ltd., H	31,500	24,579	0.06
China CITIC Bank Corp. Ltd., H	44,000	26,747	0.07
China Construction Bank Corp., H	91,000	75,073	0.19
China Minsheng Banking Corp. Ltd., H	30,000	20,688	0.05
China Mobile Ltd.	3,500	33,679	0.08
CSPC Pharmaceutical Group Ltd.	13,000	18,760	0.05
Momo Inc., ADR	800	19,000	0.05
Denmark (0.61%)			
Coloplast AS, B	575	53,486	0.13
Danske Bank AS	2,050	40,699	0.10
Novo Nordisk AS, B	2,750	126,303	0.32
Pandora AS	550	22,454	0.06

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (23.13%) (continued)			
France (0.67%)			
ArcelorMittal	2,500	51,962	0.13
Hermes International	100	55,548	0.14
Peugeot SA	2,950	63,022	0.16
Societe Generale SA	950	30,282	0.08
Total SA	600	31,748	0.08
Ubisoft Entertainment SA	400	32,302	0.08
Germany (0.23%)			
Covestro AG	950	47,050	0.12
Deutsche Lufthansa AG	1,100	24,843	0.06
ProSiebenSat.1 Media SE	1,150	20,464	0.05
Hong Kong (0.21%)			
CK Asset Holdings Ltd.	11,500	84,152	0.21
Italy (0.23%)			
Eni SpA	1,645	25,988	0.07
UniCredit SpA	5,675	64,283	0.16
Japan (2.52%)			
Astellas Pharma Inc.	6,800	86,954	0.22
Bandai Namco Holdings Inc.	700	31,455	0.08
Daito Trust Construction Co. Ltd.	300	41,099	0.10
Daiwa House Industry Co. Ltd.	1,200	38,299	0.10
Hoya Corp.	900	54,320	0.14
Japan Airlines Co. Ltd.	500	17,751	0.04
JXTG Holdings Inc.	4,800	25,257	0.06
KDDI Corp.	4,600	110,131	0.28
Mizuho Financial Group Inc.	52,600	81,732	0.21
Nippon Telegraph & Telephone Corp.	2,100	85,878	0.22
NTT DoCoMo Inc.	6,374	143,793	0.36
ORIX Corp.	1,500	21,973	0.06
Recruit Holdings Co. Ltd.	900	21,864	0.05
Resona Holdings Inc.	5,200	25,084	0.06
Shionogi & Co. Ltd.	900	51,495	0.13
Sumitomo Mitsui Financial Group Inc.	1,200	39,909	0.10
Suzuki Motor Corp.	1,000	50,794	0.13
Toshiba Corp.	2,000	56,569	0.14
Tosoh Corp.	1,200	15,679	0.04
Macao (0.13%)			
Sands China Ltd.	12,000	52,564	0.13
Malaysia (0.09%)			
Nestle (Malaysia) Bhd.	300	10,701	0.03
Petronas Chemicals Group Bhd.	11,700	26,302	0.06
Mexico (0.15%)			
Wal-Mart de Mexico SAB de CV, V	23,100	58,754	0.15
Netherlands (0.35%)			
Aegon NV	8,010	37,436	0.09
EXOR NV	400	21,716	0.06
Koninklijke Ahold Delhaize NV	3,100	78,410	0.20
Norway (0.30%)			
Equinor ASA	5,700	120,892	0.30

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (23.13%) (continued)			
South Africa (0.06%)			
Mr. Price Group Ltd.	1,315	22,528	0.06
South Korea (0.64%)			
LG Household & Health Care Ltd.	50	49,429	0.13
NCsoft Corp.	80	33,510	0.08
Samsung Electronics Co. Ltd., pfd.	3,100	88,376	0.22
SK Hynix Inc.	1,530	83,114	0.21
Sweden (0.27%)			
Boliden AB	1,370	29,697	0.08
Hennes & Mauritz AB, B	1,409	20,045	0.05
Lundin Petroleum AB	900	22,485	0.06
Swedish Match AB	849	33,435	0.08
Switzerland (0.67%)			
Ferguson PLC	875	55,982	0.14
Roche Holding AG	852	211,646	0.53
Taiwan (0.48%)			
President Chain Store Corp.	3,000	30,493	0.08
Taiwan Semiconductor Manufacturing Co. Ltd.	12,000	88,440	0.22
Uni-President Enterprises Corp.	20,000	45,625	0.12
Yuanta Financial Holding Co. Ltd.	48,500	24,490	0.06
United Kingdom (1.39%)			
3i Group PLC	2,400	23,671	0.06
Admiral Group PLC	975	25,452	0.07
Auto Trader Group PLC	4,650	26,969	0.07
Barratt Developments PLC	5,100	30,099	0.08
BT Group PLC	11,650	35,374	0.09
Burberry Group PLC	2,175	48,137	0.12
Fiat Chrysler Automobiles NV	3,900	56,234	0.14
Hargreaves Lansdown PLC	1,225	28,885	0.07
International Consolidated Airlines Group SA	2,975	23,589	0.06
Marks & Spencer Group PLC	5,450	17,181	0.04
Next PLC	350	17,813	0.04
Persimmon PLC	1,550	38,149	0.10
Royal Dutch Shell PLC, A	2,125	62,531	0.16
Standard Chartered PLC	7,500	58,276	0.15
Taylor Wimpey PLC	16,200	28,148	0.07
The Berkeley Group Holdings PLC	650	28,838	0.07
United States of America (12.36%)			
AbbVie Inc.	1,015	93,573	0.24
Accenture PLC, A	1,025	144,535	0.36
Ally Financial Inc.	1,975	44,754	0.11
American International Group Inc.	900	35,469	0.09
Annaly Capital Management Inc.	6,175	60,639	0.15
Apple Inc.	1,025	161,684	0.41
Athene Holding Ltd., A	750	29,873	0.08
AutoZone Inc.	50	41,917	0.11
Best Buy Co. Inc.	750	39,720	0.10
Biogen Inc.	200	60,184	0.15
Brighthouse Financial Inc.	550	16,764	0.04
Broadcom Inc.	125	31,785	0.08
Cadence Design Systems Inc.	1,400	60,872	0.15
Capital One Financial Corp.	850	64,252	0.16
Capri Holdings Ltd.	750	28,440	0.07
CBRE Group Inc.	1,575	63,063	0.16
Celgene Corp.	850	54,477	0.14
Cigna Corp.	86	16,333	0.04
Citrix Systems Inc.	550	56,353	0.14
Colgate-Palmolive Co.	1,225	72,912	0.18

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (23.13%) (continued)			
United States of America (12.36%) (continued)			
ConocoPhillips	1,525	95,084	0.24
CVS Health Corp.	575	37,674	0.09
Delta Air Lines Inc.	800	39,920	0.10
Domino's Pizza Inc.	175	43,398	0.11
DXC Technology Co.	1,125	59,816	0.15
Everest Re Group Ltd.	200	43,552	0.11
Exelon Corp.	2,175	98,093	0.25
F5 Networks Inc.	300	48,609	0.12
Fastenal Co.	650	33,989	0.09
Freeport-McMoRan Inc.	1,775	18,300	0.05
General Motors Co.	725	24,251	0.06
Gilead Sciences Inc.	850	53,168	0.13
H&R Block Inc.	995	25,243	0.06
HCA Holdings Inc.	625	77,781	0.20
Hewlett Packard Enterprise Co.	2,350	31,044	0.08
HollyFrontier Corp.	700	35,784	0.09
Host Hotels & Resorts Inc.	1,950	32,507	0.08
HP Inc.	3,600	73,656	0.19
Intel Corp.	2,325	109,112	0.28
International Business Machines Corp.	820	93,209	0.23
International Paper Co.	735	29,665	0.07
Intuit Inc.	1,025	201,771	0.51
Kimberly-Clark Corp.	663	75,542	0.19
KLA-Tencor Corp.	232	20,762	0.05
Lam Research Corp.	250	34,043	0.09
Lear Corp.,	325	39,929	0.10
Lennox International Inc.	175	38,301	0.10
Lincoln National Corp.	1,075	55,158	0.14
Lululemon Athletica Inc.	250	30,403	0.08
LyondellBasell Industries NV, A	1,620	134,719	0.34
ManpowerGroup Inc.	325	21,060	0.05
Marathon Petroleum Corp.	425	25,079	0.06
MetLife Inc.	1,125	46,193	0.12
Micron Technology Inc.	3,100	98,363	0.25
MSCI Inc.	275	40,543	0.10
Mylan NV	1,225	33,565	0.08
Newfield Exploration Co.	1,000	14,660	0.04
NIKE Inc., B	750	55,605	0.14
Occidental Petroleum Corp.	650	39,897	0.10
PG&E Corp.	1,075	25,531	0.06
Philip Morris International Inc.	1,003	66,960	0.17
Prudential Financial Inc.	900	73,395	0.18
PulteGroup Inc.	1,300	33,787	0.08
Robert Half International Inc.	500	28,600	0.07
Ross Stores Inc.	775	64,480	0.16
S&P Global Inc.	425	72,224	0.18
Seagate Technology PLC	1,410	54,412	0.14
Simon Property Group Inc.	1,125	188,989	0.48
Skyworks Solutions Inc.	450	30,159	0.08
Snap-on Inc.	250	36,322	0.09
Steel Dynamics Inc.	450	13,518	0.03
Synchrony Financial	900	21,114	0.05
Texas Instruments Inc.	950	89,775	0.23
The Gap Inc.	1,130	29,109	0.07
The Home Depot Inc.	475	81,614	0.21
The Kroger Co.	975	26,812	0.07
The TJX Cos. Inc.	2,900	129,746	0.33
Tyson Foods Inc.	375	20,025	0.05
Ulta Beauty Inc.	75	18,363	0.05
United Continental Holdings Inc.	325	27,212	0.07
United Rentals Inc.	425	43,575	0.11
United Therapeutics Corp.	225	24,502	0.06
VeriSign Inc.	550	81,559	0.21

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)

AS AT 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)

	Holdings	Fair value (USD)	% of NAV
Listed Equities (23.13%) (continued)			
United States of America (12.36%) (continued)			
Verizon Communications Inc.	1,700	95,574	0.24
Viacom Inc., B	1,600	41,120	0.10
W.W. Grainger Inc.	150	42,354	0.11
Walgreens Boots Alliance Inc.	225	15,374	0.04
Walmart Inc.	450	41,918	0.11
Western Digital Corp.	1,100	40,667	0.10
Western Union Co.	2,240	38,214	0.10
Yum! Brands Inc.	200	18,384	0.05
Quoted Fixed Income Securities (17.93%)			
Chinese Yuan (4.38%)			
Government of China, senior note, 2.90%, 7/04/19, Reg S	2,500,000	362,359	0.91
Government of China, senior note, 3.10%, 6/29/22, Reg S	3,500,000	503,219	1.27
Government of China, senior note, 3.36%, 5/21/22, Reg S	3,500,000	503,990	1.27
Government of China, senior note, 4.10%, 6/26/22, Reg S	2,500,000	369,185	0.93
United States Dollar (13.55%)			
U.S. Treasury Bill, 1/31/19	1,275,000	1,272,616	3.21
U.S. Treasury Bond, 3.125%, 2/15/43	202,000	206,497	0.52
U.S. Treasury Note, 2.25%, 11/15/24	1,465,000	1,440,338	3.63
U.S. Treasury Note, 2.25%, 2/15/27	422,000	410,206	1.04
U.S. Treasury Note, 3.00%, 5/15/45	416,000	416,087	1.05
U.S. Treasury Note, 3.50%, 5/15/20	1,606,000	1,626,139	4.10
Total Investments		38,715,574	97.63
Net Forward Foreign Exchange Contracts Value (Note 4)		31,099	0.08
Futures (Note 4)			
EURO STOXX 50 Index, March, 3/15/19	(15)	11,687	0.03
FTSE 100 Index, March, 3/15/19	(4)	2,066	-*
MSCI Emerging Markets Index, March, 3/15/19	10	(6,700)	(0.02)
S&P 500 E-Mini, March, 3/15/19	6	(9,645)	(0.02)
Total Futures		(2,592)	(0.01)
Options (Note 4)			
DJ Euro STOXX 50, Expires 1/04/19, Call Option, Strike Price EUR3,065.80	(294)	(851)	(-)*
DJ Euro STOXX 50, Expires 1/11/19, Call Option, Strike Price EUR3,095.144	(294)	(1,706)	(0.01)
MSCI Emerging Markets Index, Expires 1/11/19, Call Option, Strike Price USD984.464	(942)	(7,151)	(0.02)
MSCI Emerging Markets Index, Expires 1/11/19, Call Option, Strike Price USD999.128	(937)	(3,551)	(0.01)
Nikkei 225, Expires 1/04/19, Call Option, Strike Price JPY20,795.84	(5,001)	(1,366)	(-)*
Nikkei 225, Expires 1/11/19, Call Option, Strike Price JPY20,397.09	(5,050)	(12,067)	(0.03)
S&P 500 Index, Expires 1/11/19, Call Option, Strike Price USD2,544.574	(729)	(17,439)	(0.04)
S&P 500 Index, Expires 1/11/19, Call Option, Strike Price USD2,566.76	(722)	(12,192)	(0.03)
Total Options		(56,323)	(0.14)
Other Net Assets		38,687,758	97.56
		968,137	2.44
Net Assets as at 31 December 2018		39,655,895	100.00
Total Investments at cost as at 31 December 2018		41,467,789	

*Amount less than 0.01%

STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2018

TEMPLETON SELECT GLOBAL EQUITY FUND

	Percentage holdings of net assets 2018 %	Percentage holdings of net assets 2017 %
Investments		
Listed Equities		
Belgium	0.89	0.89
Canada	2.22	1.93
China	5.50	4.62
Denmark	2.40	-
France	8.47	4.22
Germany	5.42	4.30
Hong Kong	1.23	0.94
Ireland	1.96	0.47
Israel	1.46	1.20
Italy	1.69	1.42
Japan	7.56	10.88
Luxembourg	1.26	0.79
Netherlands	1.88	3.05
Norway	0.93	1.40
Portugal	-	1.01
Singapore	1.46	1.61
South Korea	3.50	3.14
Switzerland	4.05	2.41
Taiwan	-	0.58
Thailand	1.14	0.81
United Kingdom	14.71	16.78
United States of America	24.91	34.56
Total Investments	92.64	97.01
Forward Foreign Exchange Contracts (Note 4)	0.11	0.56
	92.75	97.57
Other Net Assets	7.25	2.43
Net Assets as at year end	100.00	100.00

STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND

	Percentage holdings of net assets 2018 %	Percentage holdings of net assets 2017 %
Investments		
Quoted Investment Funds		
Luxembourg	31.68	32.59
Exchange Traded Funds		
Ireland	7.09	-
Japan	2.46	-
United States of America	15.34	15.97
Listed Equities		
Australia	0.47	0.70
Canada	0.62	0.83
China	0.68	0.12
Denmark	0.61	0.07
Finland	-	0.92
France	0.67	1.05
Germany	0.23	1.20
Hong Kong	0.21	0.33
Italy	0.23	-
Japan	2.52	1.25
Macao	0.13	-
Malaysia	0.09	-
Mexico	0.15	0.06
Netherlands	0.35	-
Norway	0.30	0.28
Singapore	-	1.03
South Africa	0.06	1.35
South Korea	0.64	0.19
Sweden	0.27	1.91
Switzerland	0.67	2.60
Taiwan	0.48	0.10
United Kingdom	1.39	2.30
United States of America	12.36	11.76
Quoted Fixed Income Securities		
Chinese Yuan	4.38	-
United States Dollar	13.55	17.92
Total Investments	97.63	94.53
Forward Foreign Exchange Contracts (Note 4)	0.08	0.03
Futures (Note 4)	(0.01)	0.09
Options (Note 4)	(0.14)	(0.06)
Swaps (Note 4)	-	(-)*
	97.56	94.59
Other Net Assets	2.44	5.41
Net Assets as at year end	100.00	100.00

*Amount less than 0.01%

PERFORMANCE TABLE (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2018

TEMPLETON SELECT GLOBAL EQUITY FUND

NET ASSET VALUES

	Financial period	Net asset value	Net asset value per unit in issue
Class A (acc) USD	31.12.2018	USD1,664,698	USD10.78
Class A (acc) USD	31.12.2017	USD1,966,089	USD12.81
Class A (acc) USD	31.12.2016	USD1,663,513	USD11.09
Class A (acc) HKD	31.12.2018	USD1,896,216	HKD10.88
Class A (acc) HKD	31.12.2017	USD2,587,018	HKD12.90
Class A (acc) HKD	31.12.2016	USD1,663,512	HKD11.08
Class A (acc) RMB-H1	31.12.2018	USD1,705,877	CNH11.37
Class A (acc) RMB-H1	31.12.2017	USD2,771,877	CNH13.33
Class A (acc) RMB-H1	31.12.2016	USD2,151,955	CNH11.22

PERFORMANCE RECORD

	Financial period	Highest net asset value per unit	Lowest net asset value per unit
Class A (acc) USD	31.12.2018	USD13.78	USD10.53
Class A (acc) USD	31.12.2017	USD12.82	USD11.09
Class A (acc) USD	31.12.2016	USD11.31	USD9.85
Class A (acc) HKD	31.12.2018	HKD13.89	HKD10.63
Class A (acc) HKD	31.12.2017	HKD12.91	HKD11.08
Class A (acc) HKD	31.12.2016	HKD11.31	HKD9.85
Class A (acc) RMB-H1	31.12.2018	CNH14.32	CNH11.09
Class A (acc) RMB-H1	31.12.2017	CNH13.35	CNH11.22
Class A (acc) RMB-H1	31.12.2016	CNH11.45	CNH9.84

FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND

NET ASSET VALUES

	Financial period	Net asset value	Net asset value per unit in issue
Class A (Mdis) USD	31.12.2018	USD12,838,373	USD8.69
Class A (Mdis) USD	31.12.2017	USD7,072,484	USD10.10
Class A (Mdis) USD	31.12.2016	USD1,483,562	USD9.82
Class A (Mdis) HKD	31.12.2018	USD18,479,785	HKD8.77
Class A (Mdis) HKD	31.12.2017	USD7,984,580	HKD10.16
Class A (Mdis) HKD	31.12.2016	USD1,473,351	HKD9.82
Class A (Mdis) RMB-H1	31.12.2018	USD8,337,737	CNH9.07
Class A (Mdis) RMB-H1	31.12.2017	USD2,756,196	CNH10.51
Class A (Mdis) RMB-H1	31.12.2016	USD1,935,451	CNH9.94

PERFORMANCE RECORD

	Financial period	Highest net asset value per unit	Lowest net asset value per unit
Class A (Mdis) USD	31.12.2018	USD10.27	USD8.51
Class A (Mdis) USD	31.12.2017	USD10.18	USD9.82
Class A (Mdis) USD	31.12.2016	USD10.30	USD9.68
Class A (Mdis) HKD	31.12.2018	HKD10.35	HKD8.59
Class A (Mdis) HKD	31.12.2017	HKD10.23	HKD9.82
Class A (Mdis) HKD	31.12.2016	HKD10.30	HKD9.68
Class A (Mdis) RMB-H1	31.12.2018	CNH10.68	CNH8.87
Class A (Mdis) RMB-H1	31.12.2017	CNH10.51	CNH9.94
Class A (Mdis) RMB-H1	31.12.2016	CNH10.32	CNH9.76

ADMINISTRATION

MANAGER, REGISTRAR AND TRANSFER AGENT

Franklin Templeton Investments (Asia) Limited
17/F, Chater House
8 Connaught Road Central
Hong Kong

DIRECTORS OF THE MANAGER

Browning, Mark Banks
Chang, Wan David
Hudson, David Wood (resigned on 20 April 2017)
Lam, Hung Allan (resigned on 9 February 2018)
Mobius, Joseph Bernhard Mark (resigned on 31 January 2018)
Plafker, Jed Andrew
Wu, Wai Kwok

INVESTMENT MANAGER

Templeton Select Global Equity Fund
Franklin Templeton Investments (Asia) Limited
17/F, Chater House
8 Connaught Road Central
Hong Kong

Franklin Select Global Multi-Asset Income Fund

Up to 15 January 2017
Franklin Templeton Investments Corp.
200 King Street West, Suite 1500
Toronto, ON, M5H 3T4
Canada

With effect from 16 January 2017
Franklin Templeton Investments (Asia) Limited
17/F, Chater House
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Hong Kong

TRUSTEE

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Three Garden Road, Central
Hong Kong

CUSTODIAN

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AUDITOR

PricewaterhouseCoopers
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Hong Kong

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