



**FRANKLIN  
TEMPLETON**

**Semi-Annual Report**  
for the period ended  
30 June 2019  
(Unaudited)

# Franklin Templeton Asia Fund Series



# FRANKLIN TEMPLETON ASIA FUND SERIES

SEMI-ANNUAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2019  
(UNAUDITED)

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# REPORT OF THE MANAGER

## FOR THE PERIOD ENDED 30 JUNE 2019

### Templeton Select Global Equity Fund

#### Market Review

Global equities rose during the period under review as optimism for renewed central bank easing ultimately overcame concerns about softening economic growth and ongoing international trade disputes. Trade drama dominated the headlines during the period, with the United States alternately reporting progress and setbacks in negotiations with China, Mexico, India and the European Union (“EU”). Unsurprisingly, the World Trade Organization forecasted a decline in global trade this year, blaming tariffs and retaliatory measures, as well as weaker economic growth and volatile markets. The European Central Bank also cited the threat of protectionism as it reiterated its pledge not to raise interest rates and that it would continue its monetary-stimulus programme. The International Monetary Fund subsequently downgraded its 2019 euro area growth outlook to 1.3% (from 1.6% in January) and also reduced its global growth estimate to 3.3% (from 3.5% in January), warning specifically of the risks of a “no-deal” Brexit for the global economy. On that front, British Prime Minister Theresa May promised to resign after repeatedly failing to deliver Brexit, adding to the uncertainty surrounding the United Kingdom’s planned divorce from the EU. China’s economy appeared to be slowing more than initially thought, with retail sales growth hitting 16-year lows and industrial production expanding at the slowest rate in a decade. In response to the slowdown, the People’s Bank of China injected further liquidity into the system in May.

#### Portfolio Review

The fund underperformed its benchmark index for the six-month period, due primarily to holdings in the communication services, consumer staples, industrials and health care sectors. From the communication services sector, shares of Chinese internet search firm Baidu came under pressure amidst a cyclical slowdown in China’s economy. We have growing concerns that excess advertising capacity and increasing competition can result in deteriorating cost/benefit dynamics in the digital advertising space going forward. Furthermore, Baidu’s core search offering is not proving to be as scalable as traditional search platforms. While the firm’s core search business has remained cheaply valued and Baidu has enjoyed strong growth in active daily users and a high cash position, the capital required to maintain leadership and innovation is significant, and we continue to monitor this investment closely.

Within the consumer staples sector, investors have gravitated towards those firms capable of generating growth in a challenging environment, resulting in sector-wide valuation dispersion near 20-year highs and an increasingly selective opportunity set.

The shares of Israeli generic drug-maker Teva Pharmaceutical Industries slumped and yields on the company’s bonds spiked after a surprising settlement in a US opioid lawsuit added to existing litigation risk surrounding an industry-wide price-fixing scandal. While these situations are unlikely to materially impact near-term cash flow (which should improve amidst ongoing cost-cutting, in our analysis), they do raise the risk profile of the investment, particularly in light of Teva’s high financial and operating leverage in the competitive, commodity-like generic drug industry. We continue to monitor the situation and assess Teva’s position in the portfolio. Within the health care sector (and across the portfolio more generally), we have continued to reposition the fund to favour firms with what we consider more defensive business models and balance sheets, given our assessment of rising cyclical risks to financial markets and the global economy.

Stock selection in the utilities sector contributed to relative performance for the period. Shares of French water- and waste-treatment firm Veolia Environnement rose after the firm reported better-than-expected earnings and received a favourable tax ruling from a US court. We remain positive on the stock; the effect of restructuring initiatives should become increasingly evident as tailwinds like greater environmental legislation and corporate commitments (as well as a potential rise in inflation) eventually bolster revenues.

Regionally, holdings in Asia, particularly Japan and China, detracted from relative performance. We believe the best opportunities in the region are effectively plays on the long-term wealth accumulation and demand potential of Asian consumers. We are finding many such opportunities amongst providers of the critical services and infrastructure—utilities, telecoms, insurers—required to facilitate the rise of a middle class.

## REPORT OF THE MANAGER (CONTINUED)

### FOR THE PERIOD ENDED 30 JUNE 2019

#### Templeton Select Global Equity Fund (continued)

##### Outlook & Strategy

Despite continued challenges, we believe we are taking the necessary steps to potentially improve investment outcomes in a difficult environment. These steps include upgrading the quality of the portfolio to own more defensive, dividend-paying holdings in a late-cycle, low-rate environment, as well as allocating resources to pursue the best long-term investment opportunities in overlooked market segments. Under Templeton Global Equity Group Chairman Dr. Sandy Nairn, we have enhanced our research database, developed a new system to quantify economic exposures at the portfolio level, made targeted changes to research coverage and investment personnel, and begun to manage more focused portfolios with fewer stocks to ensure that only the highest-conviction names are represented in the fund. Looking at the bigger picture, recent challenges mark the third significant episode of underperformance in our firm's seven-decade history, joining the Japan Bubble of the late '80s and the Technology Bubble of the late '90s. Through each of these events we emerged stronger, eventually benefitting from prudence and discipline once the cycle turned. We believe this should again be the case as conditions evolve, and we are working hard to position our portfolios to maximise long-term benefits. Through it all, we owe our clients gratitude for their patience and confidence, which we expect to be rewarded in time.

*The commentary, which is for informational purposes only, sets forth the manager's views as of 30 June 2019. 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 PERIOD ENDED 30 JUNE 2019

#### Franklin Select Global Multi-Asset Income Fund

##### Market Review

The global economy expanded during the six months ended 30 June 2019 despite weakness in certain regions. Global developed and emerging market stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports and periods of optimism about a potential US-China trade deal. Further supporting markets were the US Federal Reserve's ("Fed's") patient approach to its monetary policy in 2019 and recent indication it will act as appropriate to sustain US economic expansion.

##### Portfolio Review

The fund delivered solid gains but underperformed its benchmark index for the six-month period.

Security selection in non-US equities was key detractor from relative performance; underlying positions in Europe, Japan and emerging markets weakened returns. In Europe, uncertainty around trade relations and the United Kingdom's exit from the European Union continued to sway equity markets. Elsewhere, Japan's government lowered its outlook for several economic indicators, citing US-China trade uncertainty. On an absolute basis, however, every region delivered positive returns.

Security selection in US equity benefitted relative returns, due in part to underlying holding Franklin U.S. Opportunities Fund. An overweight to the country was a slight contributor as well. Franklin U.S. Opportunities Fund's security selection helped drive relative outperformance, particularly in the health care, industrials and information technology sectors.

Turning to fixed income, fund performance was strengthened by positioning in the asset class. In particular, high-yield bonds boosted relative results. The high-yield bond sector outperformed investment-grade credit as spreads tightened amidst robust investor risk appetite for much of the review period. Lack of exposure to securitised bonds also supported relative performance, as the sector significantly trailed the broader bond universe. A large position in short-dated Treasuries was a meaningful detractor from relative performance.

##### Outlook & Strategy

We lowered our net allocation to global equity in the review period. Several developed-market equity markets reached new all-time highs in June, and the S&P 500® Index notched its best first-half year performance since 1997. This ascension seems to us somewhat disconnected from protracted weakness in global trade, economic policy uncertainty, the return of market volatility, and optimistic assumptions by many investors surrounding interest-rate cuts from major central banks. Furthermore, the MSCI World Index has grown more expensive over the past few years, based on price-to-earnings and other valuation metrics. While we recognise that global equities remain supported by corporate earnings, we maintain our lower conviction in riskier assets such as global equities.

We increased exposure to European equity during the six-month period. We recognise that economic activity has slowed as global trade concerns and weaker manufacturing activity have led to negative sentiment. However, we raised our assessment of the region to a more neutral view to reflect the prospect of conditions stabilising, and the European Central Bank's ("ECB's") willingness to extend stimulus for a longer period.

We meaningfully increased the allocation to US Treasuries. Like the ECB, the Fed also signalled that additional monetary accommodation could be deployed in upcoming months. Furthermore, investor appetite has remained robust for higher-quality assets amidst economic uncertainty.

We adopted a more cautious outlook during the period for lower-rated fixed income sectors, notably high-yield. The US business cycle appears in its later stages, and a number of potential headwinds persist. We reduced portfolio exposure to high-yield corporate bonds but maintained our allocation to investment-grade bonds.

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*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.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

	Note	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
		30 June 2019 USD	31 December 2018 USD	30 June 2019 USD	31 December 2018 USD
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Investments	3	5,228,856	4,878,987	29,082,590	38,715,574
Derivative financial instruments	4	16,177	6,506	84,404	47,186
Dividends and other accounts receivable		13,771	9,639	75,886	38,707
Due from brokers		—	—	—	31,985
Amounts receivable from subscription		—	—	—	49,765
Margin cash	5	—	—	44,654	120,920
Cash and cash equivalents	5	286,016	401,038	818,537	943,963
<b>TOTAL ASSETS</b>		<u>5,544,820</u>	<u>5,296,170</u>	<u>30,106,071</u>	<u>39,948,100</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Derivative financial instruments	4	73	285	15,780	75,002
Due to brokers		—	—	24,002	—
Amounts payable on redemption		—	—	252,338	140,214
Other accounts payable		18,538	29,094	50,901	76,989
<b>LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<u>18,611</u>	<u>29,379</u>	<u>343,021</u>	<u>292,205</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BEFORE AMORTISATION OF PRELIMINARY EXPENSES)</b>		5,526,209	5,266,791	29,763,050	39,655,895
Adjustment for different basis adopted by the Fund in arriving at net assets attributable to unitholders	6	—	—	—	—
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (AFTER AMORTISATION OF PRELIMINARY EXPENSES)</b>	6	<u>5,526,209</u>	<u>5,266,791</u>	<u>29,763,050</u>	<u>39,655,895</u>

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

	Note	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
		1 January 2019 to 30 June 2019 USD	1 January 2018 to 30 June 2018 USD	1 January 2019 to 30 June 2019 USD	1 January 2018 to 30 June 2018 USD
<b>INCOME</b>					
Dividend income		118,344	95,864	410,842	333,390
Interest on bank deposits		3,206	1,029	10,481	3,596
Interest on investments		—	—	97,090	37,244
Other income		—	—	—	151
Change in unrealised gain/loss on fair value of investments		356,112	(682,260)	3,304,588	(777,337)
Realised (loss)/gain on sale of investments		(47,456)	561,708	(139,168)	38,341
Change in unrealised gain/loss on derivative financial instruments and foreign currency exchange		9,777	(94,013)	35,292	(64,095)
Realised (loss)/gain on derivative financial instruments and foreign currency exchange		(13,293)	102,908	(168,408)	(178,981)
<b>TOTAL INVESTMENT INCOME/(LOSS)</b>		<b>426,690</b>	<b>(14,764)</b>	<b>3,550,717</b>	<b>(607,691)</b>
<b>EXPENSES</b>					
Management fee	7(e)	27,754	32,899	143,444	79,657
Distribution fee		13,877	16,449	84,379	46,857
Trustee and custody fees	7(e)	14,533	17,436	55,681	32,451
Registrar fee	7(e)	1,110	1,316	6,750	3,749
Fund administration fee	7(e)	5,551	6,580	33,752	18,743
Audit fee		10,628	10,846	10,628	10,847
Bank charges		84	55	199	132
Legal and professional fees		210	—	213	—
Other operating expenses		4,391	2,171	7,572	2,747
Preliminary expenses	6	—	—	—	—
Transaction costs		3,023	3,464	29,609	5,578
<b>TOTAL EXPENSES</b>		<b>81,161</b>	<b>91,216</b>	<b>372,227</b>	<b>200,761</b>
<b>PROFIT/(LOSS) BEFORE DISTRIBUTION AND TAX</b>		<b>345,529</b>	<b>(105,980)</b>	<b>3,178,490</b>	<b>(808,452)</b>
<b>FINANCE COST (EXCLUDING INCREASE/ DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>					
Distribution to unitholders	8	—	—	(896,418)	(497,400)
<b>PROFIT/(LOSS) AFTER DISTRIBUTION AND BEFORE TAX</b>		<b>345,529</b>	<b>(105,980)</b>	<b>2,282,072</b>	<b>(1,305,852)</b>
Withholding taxes		(22,554)	(18,973)	(36,736)	(29,301)
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>322,975</b>	<b>(124,953)</b>	<b>2,245,336</b>	<b>(1,335,153)</b>
Adjustment for different basis adopted by the Fund in arriving at net assets attributable to unitholders	6	—	(1,200)	—	(2,856)
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FROM OPERATIONS</b>		<b>322,975</b>	<b>(126,153)</b>	<b>2,245,336</b>	<b>(1,338,009)</b>

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



**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE PERIOD ENDED 30 JUNE 2019  
(UNAUDITED)**

	Note	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
		1 January 2019 to 30 June 2019 USD	1 January 2018 to 30 June 2018 USD	1 January 2019 to 30 June 2019 USD	1 January 2018 to 30 June 2018 USD
<b>BALANCE AT THE BEGINNING OF THE PERIOD</b>		5,266,791	7,324,984	39,655,895	17,813,260
Subscription of units	6	1,311	82,909	1,120,123	2,612,325
Redemption of units	6	(64,868)	(1,114,370)	(13,320,933)	(500,502)
Reinvestment of distributions	6	—	—	62,629	83,670
Increase/(decrease) in net assets attributable to unitholders from operations		322,975	(126,153)	2,245,336	(1,338,009)
<b>BALANCE AT THE END OF THE PERIOD</b>		<u>5,526,209</u>	<u>6,167,370</u>	<u>29,763,050</u>	<u>18,670,744</u>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	1 January 2019 to 30 June 2019	1 January 2018 to 30 June 2018	1 January 2019 to 30 June 2019	1 January 2018 to 30 June 2018
Note	USD	USD	USD	USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Purchase of investments	(1,427,136)	(1,212,760)	(36,521,020)	(9,339,815)
Disposal of investments	1,385,924	2,152,384	49,300,037	7,149,245
Settlement of derivative financial instruments	(13,293)	102,908	(168,408)	(210,743)
Margin cash paid	—	—	76,266	(27,664)
Dividend income received	114,212	91,976	392,801	334,675
Interest on bank deposits received	3,206	1,029	10,481	3,596
Interest on investments received	—	—	92,478	47,168
Other income received	—	—	—	151
Management fee paid	(27,942)	(33,799)	(151,924)	(78,756)
Distribution fee paid	(13,971)	(16,900)	(89,365)	(46,330)
Trustee and custody fees paid	(14,541)	(17,472)	(56,081)	(32,408)
Registrar fee paid	(1,118)	(1,352)	(7,149)	(3,706)
Audit fee paid	(20,850)	(20,520)	(20,850)	(20,521)
Fund administration fee paid	(5,588)	(6,760)	(35,747)	(18,531)
Bank charges paid	(84)	(55)	(199)	(132)
Legal and professional fees paid	(210)	—	(213)	—
Other operating expenses paid	(4,391)	(2,171)	(7,247)	(2,613)
Transaction costs paid	(3,023)	(3,464)	(29,609)	(5,578)
Withholding taxes paid	(22,554)	(18,973)	(36,667)	(29,301)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(51,359)</b>	<b>1,014,071</b>	<b>12,747,584</b>	<b>(2,281,263)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Subscription of units	1,311	82,909	1,169,888	2,597,555
Redemption of units	(64,868)	(1,114,370)	(13,208,809)	(492,288)
Distributions	—	—	(833,789)	(413,730)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(63,557)</b>	<b>(1,031,461)</b>	<b>(12,872,710)</b>	<b>1,691,537</b>
Net decrease in cash and cash equivalents	(114,916)	(17,390)	(125,126)	(589,726)
Cash and cash equivalents at the beginning of the period	401,038	193,009	943,963	928,298
Effect of foreign exchange rate changes	(106)	(414)	(300)	911
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>286,016</b>	<b>175,205</b>	<b>818,537</b>	<b>339,483</b>
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The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

## 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.

## 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 periods 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 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Funds.

(b) *New standards, amendments and interpretations effective after 1 January 2019 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 2019 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.

(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 period 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

## 2 Summary of significant accounting policies (continued)

### 2.3 Financial assets (continued)

#### 2.3.1 Classification (continued)

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 period 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 period 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.

### 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 investments in the Underlying Funds are subject to the terms and conditions of the Underlying Funds' constitutional documents. The investments in the Underlying Funds are valued at fair value which are based on the latest net asset value or market price of the Underlying Funds' redeemable units, as the case maybe.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

## 2 Summary of significant accounting policies *(continued)*

### 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 period 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 30 JUNE 2019

#### (UNAUDITED)

## 2 Summary of significant accounting policies (continued)

### 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 period 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**3 Financial risk management** (continued)

Risks associated with Underlying Funds (continued)

30 June 2019	Strategy	Net asset value of the Underlying Funds USD	Investment fair value USD	% of net assets attributable to holders of redeemable units
<b>QUOTED INVESTMENT FUNDS</b>				
Franklin High Yield Fund	Fixed Income - High yield	1,652,458,522	608,990	2.04
Templeton Emerging Markets Bond Fund	Emerging markets bonds	11,206,328,042	1,547,246	5.20
<b>EXCHANGE TRADED FUNDS</b>				
iShares Core Global Aggregate Bond UCITS ETF	Global Bonds	544,371,503	607,639	2.04
iShares Core Global Aggregate Bond UCITS ETF-Hedged	Global Bonds	1,174,496,828	2,104,375	7.07
iShares Core MSCI EM IMI UCITS ETF	Emerging markets equities	13,100,840,607	613,176	2.06
iShares Core MSCI Europe UCITS ETF	European equity	5,600,130,072	1,520,070	5.11
iShares Global Corporate Bond UCITS ETF	Global corporate bonds	1,378,686,762	2,123,429	7.14
iShares MSCI ACWI ETF	Emerging markets equities	10,761,839,839	1,046,682	3.52
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
<b>QUOTED INVESTMENT FUNDS</b>				
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
<b>EXCHANGE TRADED FUNDS</b>				
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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

### 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 period ended 30 June 2019 was USD13,679,590 (31 December 2018: USD28,681,695). As at 30 June 2019, there was no capital commitment obligation and no amount due to the Underlying Funds for unsettled purchase (31 December 2018: Nil).

During the period ended 30 June 2019, total net loss derived from investments in the Underlying Funds were USD408,281 (31 December 2018: net loss of USD197,416).

#### 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 its portfolio, cash and outstanding trade positions, on 20-day holding period at 99% confidence level.

For the year ended 31 December 2018, 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.

For the period ended 30 June 2019, MSCI Barra risk factor model and Bloomberg PORT risk factor model outputs were 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:

	30 June 2019		31 December 2018	
	%	USD	%	USD
Templeton Select Global Equity Fund	8.019	443,529	7.479	395,358
Franklin Select Global Multi-Asset Income Fund	3.656	1,097,327	2.970	1,180,653



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**3 Financial risk management** (continued)**3.1 Market risk** (continued)(a) **Market price risk** (continued)

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

	Templeton Select Global Equity Fund			
	30 June 2019		31 December 2018	
	Fair value USD	% of net assets	Fair value USD	% of net assets
<b>Listed Equities</b>				
Belgium	—	—	46,648	0.89
Canada	112,798	2.04	116,968	2.22
China	251,519	4.56	289,828	5.50
Denmark	61,398	1.11	126,265	2.40
France	468,466	8.48	446,306	8.47
Germany	434,816	7.87	285,542	5.42
Hong Kong	68,009	1.23	64,823	1.23
Ireland	69,114	1.25	102,983	1.96
Israel	48,227	0.87	76,715	1.46
Italy	181,851	3.29	89,258	1.69
Japan	651,619	11.79	397,967	7.56
Luxembourg	59,541	1.08	66,227	1.26
Netherlands	113,641	2.06	98,913	1.88
Norway	—	—	49,144	0.93
Singapore	99,704	1.80	76,633	1.46
South Korea	211,661	3.83	184,317	3.50
Switzerland	99,071	1.79	213,112	4.05
Thailand	64,842	1.17	60,167	1.14
United Kingdom	900,294	16.29	774,971	14.71
United States of America	1,332,285	24.11	1,312,200	24.91
<b>Total Investments</b>	<b>5,228,856</b>	<b>94.62</b>	<b>4,878,987</b>	<b>92.64</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**3 Financial risk management** (continued)**3.1 Market risk** (continued)

## (a) Market price risk (continued)

	Franklin Select Global Multi-Asset Income Fund			
	30 June 2019		31 December 2018	
	Fair value USD	% of net assets	Fair value USD	% of net assets
<b>Quoted Investment Funds</b>				
Luxembourg	2,156,236	7.24	12,561,955	31.68
<b>Exchange Traded Funds</b>				
Euro Community	1,520,070	5.11	—	—
Ireland	5,448,619	18.31	2,811,966	7.09
Japan	—	—	976,923	2.46
United States of America	1,046,682	3.52	6,080,768	15.34
<b>Listed Equities</b>				
Australia	154,326	0.52	185,459	0.47
Brazil	107,993	0.36	—	—
Canada	102,235	0.34	244,282	0.62
China	644,442	2.17	271,112	0.68
Denmark	210,292	0.71	242,942	0.61
France	256,383	0.86	264,864	0.67
Germany	200,552	0.67	92,357	0.23
Hong Kong	128,772	0.43	84,152	0.21
India	59,389	0.20	—	—
Italy	—	—	90,271	0.23
Japan	982,467	3.30	1,000,036	2.52
Macao	—	—	52,564	0.13
Malaysia	—	—	37,003	0.09
Mexico	22,273	0.07	58,754	0.15
Netherlands	161,524	0.54	137,562	0.35
Norway	74,983	0.25	120,892	0.30
Singapore	22,679	0.08	—	—
South Africa	20,039	0.07	22,528	0.06
South Korea	371,952	1.25	254,429	0.64
Spain	123,373	0.41	—	—
Sweden	135,214	0.45	105,662	0.27
Switzerland	350,010	1.18	267,628	0.67
Taiwan	8,522	0.03	189,048	0.48
United Kingdom	525,699	1.77	549,346	1.39
United States of America	5,967,958	20.05	4,902,435	12.36
<b>Quoted Fixed Income Securities</b>				
China	—	—	1,738,753	4.38
United States of America	8,279,906	27.82	5,371,883	13.55
<b>Total Investments</b>	<b>29,082,590</b>	<b>97.71</b>	<b>38,715,574</b>	<b>97.63</b>
<b>Futures</b>				
Euro Community	8,992	0.03	11,687	0.03
Japan	(9,414)	(0.03)	—	—
United Kingdom	51	—*	2,066	—*
United States of America	7,097	0.02	(16,345)	(0.04)
<b>Total Futures</b>	<b>6,726</b>	<b>0.02</b>	<b>(2,592)</b>	<b>(0.01)</b>
<b>Options</b>				
Euro Community	(730)	—*	(2,557)	(0.01)
Japan	—	—	(13,433)	(0.03)
United States of America	(4,063)	(0.01)	(40,333)	(0.10)
<b>Total Options</b>	<b>(4,793)</b>	<b>(0.01)</b>	<b>(56,323)</b>	<b>(0.14)</b>

\* Amount less than 0.01%

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**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 period ended 30 June 2019 and year ended 31 December 2018 except for one individual investments of Franklin Select Global Multi-Asset Income Fund which constituted 11.12% (31 December 2018: 13.42%) of NAV.

The table below is a summary of sector allocation with concentrations exceeding 10% of the Funds' net asset value at 30 June 2019 and 31 December 2018.

Sector Allocation	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	30 June 2019 % of net assets	31 December 2018 % of net assets	30 June 2019 % of net assets	31 December 2018 % of net assets
Communication Services	14.16	10.27	—	—
Energy	14.13	10.54	—	—
Financials	20.75	19.42	40.23	59.94
Health Care	12.95	18.10	—	—
U.S. Government Securities	—	—	27.82	13.55

(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 period 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 period end.

**Templeton Select Global Equity Fund**

	Monetary USD	Non-monetary USD
<b>As at 30 June 2019</b>		
CAD	208	112,798
CHF	1,482	99,071
DKK	—	61,398
EUR	—	1,465,002
GBP	5,923	762,721
JPY	5,070	651,619
KRW	1,028	165,469
SGD	—	99,704
THB	—	64,842
<b>As at 31 December 2018</b>		
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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**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
<b>As at 30 June 2019</b>		
AUD	275	154,326
BRL	227	107,993
CAD	118	102,235
CHF	—	350,010
CNH	(89,745)	—
CNY	45,218	—
DKK	—	210,292
EUR	15,831	801,928
GBP	8,288	465,603
INR	424	59,389
JPY	(4,538)	982,467
KRW	1,180	371,952
MXN	—	22,273
NOK	—	74,983
SEK	—	135,214
SGD	—	22,679
TWD	—	8,522
ZAR	—	20,039
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<b>As at 31 December 2018</b>		
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
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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 PERIOD ENDED 30 JUNE 2019**  
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**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
<b>As at 30 June 2019</b>					
<b>Assets</b>					
Investments	—	3,309,695	4,970,211	20,802,684	29,082,590
Derivative financial instruments	—	—	—	84,404	84,404
Dividends and other accounts receivable	—	—	—	75,886	75,886
Margin cash	44,654	—	—	—	44,654
Cash and cash equivalents	818,537	—	—	—	818,537
<b>Total assets</b>	<u>863,191</u>	<u>3,309,695</u>	<u>4,970,211</u>	<u>20,962,974</u>	<u>30,106,071</u>
<b>Liabilities</b>					
Derivative financial instruments	—	—	—	15,780	15,780
Due to brokers	—	—	—	24,002	24,002
Amount payable on redemption	—	—	—	252,338	252,338
Other accounts payable	—	—	—	50,901	50,901
<b>Total liabilities</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>343,021</u>	<u>343,021</u>
<b>Total interest sensitivity gap</b>	<u>863,191</u>	<u>3,309,695</u>	<u>4,970,211</u>		

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**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
<b>As at 31 December 2018</b>					
<b>Assets</b>					
Investments	—	1,634,975	5,475,661	31,604,938	38,715,574
Derivative financial instruments	—	—	—	47,186	47,186
Dividends and other accounts receivable	—	—	—	38,707	38,707
Due from brokers	—	—	—	31,985	31,985
Amounts receivable from subscription	—	—	—	49,765	49,765
Margin cash	120,920	—	—	—	120,920
Cash and cash equivalents	943,963	—	—	—	943,963
<b>Total assets</b>	<b>1,064,883</b>	<b>1,634,975</b>	<b>5,475,661</b>	<b>31,772,581</b>	<b>39,948,100</b>
<b>Liabilities</b>					
Derivative financial instruments	—	—	—	75,002	75,002
Amount payable on redemption	—	—	—	140,214	140,214
Other accounts payable	—	—	—	76,989	76,989
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>292,205</b>	<b>292,205</b>
<b>Total interest sensitivity gap</b>	<b>1,064,883</b>	<b>1,634,975</b>	<b>5,475,661</b>		

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 period 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 PERIOD ENDED 30 JUNE 2019**  
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**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
<b>30 June 2019</b>			
<b>Assets</b>			
<b>Current assets</b>			
Investments	5,228,856	—	5,228,856
Derivative financial instruments	16,177	—	16,177
Dividends and other accounts receivable	7,318	6,453	13,771
Cash and cash equivalents	286,016	—	286,016
<b>Total assets</b>	<b>5,538,367</b>	<b>6,453</b>	<b>5,544,820</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	73	—	73
Other accounts payable	7,977	10,561	18,538
Net assets attributable to unitholders (after amortisation of preliminary expenses)	5,526,209	—	5,526,209
<b>Total liabilities</b>	<b>5,534,259</b>	<b>10,561</b>	<b>5,544,820</b>
<b>31 December 2018</b>			
<b>Assets</b>			
<b>Current assets</b>			
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
<b>Total assets</b>	<b>5,289,713</b>	<b>6,457</b>	<b>5,296,170</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
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
<b>Total liabilities</b>	<b>5,275,387</b>	<b>20,783</b>	<b>5,296,170</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**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
<b>30 June 2019</b>				
<b>Assets</b>				
<b>Current assets</b>				
Investments	24,112,379	—	4,970,211	29,082,590
Derivative financial instruments	84,404	—	—	84,404
Dividends and other accounts receivable	75,886	—	—	75,886
Margin cash	44,654	—	—	44,654
Cash and cash equivalents	818,537	—	—	818,537
<b>Total assets</b>	<b>25,135,860</b>	<b>—</b>	<b>4,970,211</b>	<b>30,106,071</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Derivative financial instruments	15,780	—	—	15,780
Due to brokers	24,002	—	—	24,002
Amounts payable on redemption	252,338	—	—	252,338
Other accounts payable	50,901	—	—	50,901
Net assets attributable to unitholders (after amortisation of preliminary expenses)	29,763,050	—	—	29,763,050
<b>Total liabilities</b>	<b>30,106,071</b>	<b>—</b>	<b>—</b>	<b>30,106,071</b>
<b>31 December 2018</b>				
<b>Assets</b>				
<b>Current assets</b>				
Investments	33,239,913	3,002,533	2,473,128	38,715,574
Derivative financial instruments	47,186	—	—	47,186
Dividends and other accounts receivable	38,707	—	—	38,707
Due from brokers	31,985	—	—	31,985
Amounts receivable from subscription	49,765	—	—	49,765
Margin cash	120,920	—	—	120,920
Cash and cash equivalents	943,963	—	—	943,963
<b>Total assets</b>	<b>34,472,439</b>	<b>3,002,533</b>	<b>2,473,128</b>	<b>39,948,100</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Derivative financial instruments	75,002	—	—	75,002
Amounts payable on redemption	140,214	—	—	140,214
Other accounts payable	76,989	—	—	76,989
Net assets attributable to unitholders (after amortisation of preliminary expenses)	39,655,895	—	—	39,655,895
<b>Total liabilities</b>	<b>39,948,100</b>	<b>—</b>	<b>—</b>	<b>39,948,100</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

### 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 30 June 2019 and 31 December 2018:

	30 June 2019 Number of unitholders	31 December 2018 Number of unitholders
Templeton Select Global Equity Fund	1	1
Franklin Select Global Multi-Asset Income Fund	3	3

#### 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 30 June 2019, 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 (31 December 2018: A3) 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	30 June 2019	31 December 2018
<b>Standard &amp; Poor's / Moody's Rating</b>		
AA+/Aa1	27.82%	13.55%
A+/A1	—	4.38%

The maximum exposure to credit risks at 30 June 2019 and 31 December 2018 is the carrying amount of the financial assets.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

### 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 period 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 period end:

#### Templeton Select Global Equity Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>30 June 2019</b>				
<b>Assets</b>				
Equity securities	5,228,856	—	—	5,228,856
Forward foreign exchange contracts	—	16,177	—	16,177
	5,228,856	16,177	—	5,245,033
<b>Liabilities</b>				
Forward foreign exchange contracts	—	73	—	73
	—	73	—	73

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**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
<b>31 December 2018</b>				
<b>Assets</b>				
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>
<b>Liabilities</b>				
Forward foreign exchange contracts	—	285	—	285

**Franklin Select Global Multi-Asset Income Fund**

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>30 June 2019</b>				
<b>Assets</b>				
Quoted investment funds	—	2,156,236	—	2,156,236
Exchange traded funds	8,015,371	—	—	8,015,371
Equity securities	10,631,077	—	—	10,631,077
Fixed income securities	—	8,279,906	—	8,279,906
Forward foreign exchange contracts	—	68,264	—	68,264
Futures contracts	16,140	—	—	16,140
	<u>18,662,588</u>	<u>10,504,406</u>	<u>—</u>	<u>29,166,994</u>
<b>Liabilities</b>				
Forward foreign exchange contracts	—	1,573	—	1,573
Futures contracts	9,414	—	—	9,414
Options	4,793	—	—	4,793
	<u>14,207</u>	<u>1,573</u>	<u>—</u>	<u>15,780</u>

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>31 December 2018</b>				
<b>Assets</b>				
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>
<b>Liabilities</b>				
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>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

### 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 30 June 2019 and 31 December 2018, the Funds did not have investments classified within Level 3.

For the period ended 30 June 2019 and year ended 31 December 2018, 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 period 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	
	30 June 2019 USD	31 December 2018 USD	30 June 2019 USD	31 December 2018 USD
<b>Assets</b>				
<b>Current assets</b>				
Derivatives financial instruments				
- Forward foreign exchange contract	16,177	6,506	68,264	33,433
- Futures contract	—	—	16,140	13,753
<b>Total</b>	<u>16,177</u>	<u>6,506</u>	<u>84,404</u>	<u>47,186</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Derivatives financial instruments				
- Forward foreign exchange contract	73	285	1,573	2,334
- Futures contract	—	—	9,414	16,345
- Options	—	—	4,793	56,323
<b>Total</b>	<u>73</u>	<u>285</u>	<u>15,780</u>	<u>75,002</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**4 Derivative financial instruments** (continued)

## Templeton Select Global Equity Fund

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

30 June 2019	Contracts to Buy/(Sell)	Contract Amount USD	Settlement Date	Unrealised Gain USD
CNH	843,372	121,549	22-Jul-19	1,185
CNH	1,703,321	245,509	22-Jul-19	2,372
CNH	603,106	86,939	22-Jul-19	829
CNH	411,705	59,334	22-Jul-19	580
CNH	1,616,097	232,867	22-Jul-19	2,320
CNH	1,660,663	239,309	22-Jul-19	2,363
CNH	378,186	54,499	22-Jul-19	538
CNH	1,456,985	209,942	22-Jul-19	2,089*
CNH	1,642,192	236,635	22-Jul-19	2,350
CNH	1,096,007	157,948	22-Jul-19	1,551
Unrealised gain on forward foreign exchange contracts				16,177
	Contracts to Buy/(Sell)	Contract Amount USD	Settlement Date	Unrealised Loss USD
CNH	267,492	39,000	22-Jul-19	(73)
Unrealised loss on forward foreign exchange contracts				(73)
Net unrealised gain on forward foreign exchange contracts				16,104
31 December 2018	Contracts to Buy/(Sell)	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 Buy/(Sell)	Contract Amount USD	Settlement Date	Unrealised Gain 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

\*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 PERIOD ENDED 30 JUNE 2019**  
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**4 Derivative financial instruments** (continued)

Franklin Select Global Multi-Asset Income Fund

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

30 June 2019	Contracts to Buy/(Sell)	Contract Amount USD	Settlement Date	Unrealised Gain USD
	CNH	7,100,162	22-Jul-19	9,974
	CNH	5,987,849	22-Jul-19	8,337
	CNH	7,418,435	22-Jul-19	10,200
	CNH	292,653	22-Jul-19	412
	CNH	5,842,864	22-Jul-19	8,387
	CNH	2,317,025	22-Jul-19	3,297
	CNH	3,963,573	22-Jul-19	5,634
	CNH	7,130,277	22-Jul-19	10,225*
	CNH	6,079,763	22-Jul-19	8,699
	CNH	1,550,559	22-Jul-19	2,215
	CNH	559,199	22-Jul-19	792
	CNH	1,299,350	22-Jul-19	92
Unrealised gain on forward foreign exchange contracts				68,264
	Contracts to Buy/(Sell)	Contract Amount USD	Settlement Date	Unrealised Loss USD
	HKD	4,000,000	2-Jul-19	(193)
	HKD	(4,000,000)	2-Jul-19	(1,380)
Unrealised loss on forward foreign exchange contracts				(1,573)
Net unrealised gain on forward foreign exchange contracts				66,691

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
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**4 Derivative financial instruments** (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

31 December 2018	Contracts to Buy/(Sell)	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
GBP	(300,000)	(385,206)	19-Feb-19	1,682
Unrealised gain on forward foreign exchange contracts				33,433

	Contracts to Buy/(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.

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

<b>30 June 2019</b>			
Description	Contract size	Notional Amount	Fair value USD
Euro Stoxx 50, September, 9/20/19	7	EUR134,120	8,992
FTSE 100 Index, September, 9/20/19	1	GBP73,650	51
MSCI Emerging Markets Index, September, 9/20/19	3	USD150,915	7,097
Unrealised gain on futures			16,140
Description	Contract size	Notional Amount	Fair value USD
Nikkei 225 Mini, September, 9/12/19	(29)	JPY(60,639,000)	(9,414)
Unrealised loss on futures			(9,414)
Net unrealised gain on futures			6,726

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**4 Derivative financial instruments (continued)**

Franklin Select Global Multi-Asset Income Fund (continued)

<b>31 December 2018</b>			<b>Fair value</b>
<b>Description</b>	<b>Contract size</b>	<b>Notional Amount</b>	<b>USD</b>
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

<b>Description</b>	<b>Contract size</b>	<b>Notional Amount</b>	<b>Fair value</b>
			<b>USD</b>
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)

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

<b>30 June 2019</b>	<b>Position held</b>	<b>Fair value</b>
		<b>USD</b>
DJ Euro STOXX 50, Expires 7/05/19, Call Option, Strike Price EUR3,548.07	(227)	(730)
MSCI Emerging Markets Index, Expires 7/05/19, Call Option, Strike Price USD1,074.83	(702)	(3,343)
S&P 500 Index, Expires 7/05/19, Call Option, Strike Price USD3,009.714	(576)	(720)
Net unrealised loss on options		(4,793)

<b>31 December 2018</b>	<b>Position held</b>	<b>Fair value</b>
		<b>USD</b>
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)



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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### 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	
	30 June 2019 USD	31 December 2018 USD	30 June 2019 USD	31 December 2018 USD
Cash at bank	286,016	401,038	818,537	943,963

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.

	30 June 2019 USD	31 December 2018 USD
Margin cash	44,654	120,920

### 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 period are as follows:

	Templeton Select Global Equity Fund – Class A (Acc)					
	30 June 2019			31 December 2018		
	USD	HKD	RMB-H1	USD	HKD	RMB-H1
Number of units in issue at the beginning of the period/year	154,397.78	1,364,475.70	1,030,849.56	153,507.29	1,567,085.04	1,354,070.39
Subscription of units	103.14	96.66	—	4,319.89	11,102.30	3,523.77
Redemption of units	(3,974.46)	(96.66)	(11,484.38)	(3,429.40)	(213,711.64)	(326,744.60)
Number of units in issue at the end of the period/year	150,526.46	1,364,475.70	1,019,365.18	154,397.78	1,364,475.70	1,030,849.56

  

	Franklin Select Global Multi-Asset Income Fund – Class A (Mdis)					
	30 June 2019			31 December 2018		
	USD	HKD	RMB-H1	USD	HKD	RMB-H1
Number of units in issue at the beginning of the period/year	1,477,445.30	16,503,566.64	6,316,750.62	700,409.94	6,136,961.67	1,708,862.77
Subscription of units	—	484,803.59	402,146.70	862,293.27	11,587,792.77	5,290,729.36
Redemption of units	(177,573.90)	(8,256,424.33)	(1,467,561.12)	(86,739.71)	(1,334,895.43)	(699,540.66)
Reinvestments	937.96	30,882.99	13,088.66	1,481.80	113,707.63	16,699.15
Number of units in issue at the end of the period/year	1,300,809.36	8,762,828.89	5,264,424.86	1,477,445.30	16,503,566.64	6,316,750.62

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**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 period end:

	<b>Templeton Select Global Equity Fund</b>			
	<b>30 June 2019</b>		<b>31 December 2018</b>	
	<b>Net assets per class USD</b>	<b>Net asset value per unit</b>	<b>Net assets per class USD</b>	<b>Net asset value per unit</b>
Class A (Acc) USD	1,724,392	USD11.46	1,664,698	USD10.78
Class A (Acc) HKD	2,014,748	HKD11.54	1,896,216	HKD10.88
Class A (Acc) RMB-H1	1,787,069	CNH12.05	1,705,877	CNH11.37
Net assets attributable to unitholders (after amortisation of preliminary expenses)	<u>5,526,209</u>		<u>5,266,791</u>	

	<b>Franklin Select Global Multi-Asset Income Fund</b>			
	<b>30 June 2019</b>		<b>31 December 2018</b>	
	<b>Net assets per class USD</b>	<b>Net asset value per unit</b>	<b>Net assets per class USD</b>	<b>Net asset value per unit</b>
Class A (Mdis) USD	12,001,984	USD9.23	12,838,373	USD8.69
Class A (Mdis) HKD	10,419,715	HKD9.29	18,479,785	HKD8.77
Class A (Mdis) RMB-H1	7,341,351	CNH9.58	8,337,737	CNH9.07
Net assets attributable to unitholders (after amortisation of preliminary expenses)	<u>29,763,050</u>		<u>39,655,895</u>	

**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 period end in which they arose. As at 30 June 2019 and 31 December 2018, there was no unamortised preliminary expenses for Templeton Select Global Equity Fund and Franklin Select Global Multi-Asset Income Fund.

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. For the period ended 30 June 2018, adjustments of USD(1,200) for Templeton Select Global Equity Fund and USD(2,856) for Franklin Select Global Multi-Asset Income Fund have been recognised in the statement of comprehensive income respectively. As preliminary expenses have been fully amortised for the year ended 31 December 2018, there is no adjustment recognised in the statement of comprehensive income for the current financial period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**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 period 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 period 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 period end and as at period/year end:

**Templeton Select Global Equity Fund**

	Expenses		Accruals	
	30 June 2019 USD	30 June 2018 USD	30 June 2019 USD	31 December 2018 USD
Management fee	27,754	32,899	4,399	4,587
Trustee and custody fees	14,533	17,436	322	330
Registrar fee	1,110	1,316	176	184
Fund administration fee	5,551	6,580	880	917
<b>Total</b>	<u>48,948</u>	<u>58,231</u>	<u>5,777</u>	<u>6,018</u>

**Franklin Select Global Multi-Asset Income Fund**

	Expenses		Accruals	
	30 June 2019 USD	30 June 2018 USD	30 June 2019 USD	31 December 2018 USD
Management fee	143,444	79,657	20,770	29,250
Trustee and custody fees	55,681	32,451	1,121	1,521
Registrar fee	6,750	3,749	977	1,376
Fund administration fee	33,752	18,743	4,887	6,882
<b>Total</b>	<u>239,627</u>	<u>134,600</u>	<u>27,755</u>	<u>39,029</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**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	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>Citigroup Global Markets Inc. ("Citi")</b>				
Aggregate value of purchase and sale of securities transacted by Citi (USD)	72,276	208,356	2,244,928	1,311
% of total purchases and sales of securities during the period	2.61	6.21	2.63	0.01
Total commission paid to Citi (USD)	176	166	—	1
Average commission rate (%)	0.24	0.08	—	0.08
Total commission paid by the Funds (USD)	<u>3,023</u>	<u>3,464</u>	<u>29,609</u>	<u>5,578</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 30 June 2019 and 31 December 2018.

	Templeton Select Global Equity Fund		Franklin Select Global Multi-Asset Income Fund	
	30 June 2019 USD	31 December 2018 USD	30 June 2019 USD	31 December 2018 USD
<b>Assets</b>				
Forward foreign exchange contracts	2,089	1,140	10,225	6,447
<b>Liabilities</b>				
Forward foreign exchange contracts	—	—	—	1,206

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 period ended 30 June 2019 and 30 June 2018 for Franklin Select Global Multi-Asset Income Fund:

	Purchases		Sales	
	30 June 2019 USD	30 June 2018 USD	30 June 2019 USD	30 June 2018 USD
Franklin Global Listed Infrastructure Fund	—	113,986	—	28,858
Franklin High Yield Fund	—	700,911	4,999,078	104,112
Franklin U.S. Opportunities Fund	—	941,300	1,775,788	53,349
Templeton Emerging Markets Bond Fund	794,340	327,328	946,312	186,672
Templeton Global Equity Income Fund	—	1,415,609	4,209,042	854,674

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 USD3,206 (30 June 2018: USD1,029) for Templeton Select Global Equity Fund and USD10,481 (30 June 2018: USD3,596) for Franklin Select Global Multi-Asset Income Fund for the period ended 30 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2019**  
**(UNAUDITED)**

**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 30 June 2019 and 30 June 2018 by Templeton Select Global Equity Fund.

	Shareholding	
	30 June 2019	30 June 2018
At the beginning of the period	1,270	1,710
Purchases	375	—
Sales	—	(260)
At the end of the period	1,645	1,450

**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 period ended 30 June 2019	Distribution date	Distribution amount USD
<u>Class A (Mdis) USD</u>		
Distribution of USD0.037 per unit	16 January 2019	54,665
Distribution of USD0.038 per unit	20 February 2019	54,852
Distribution of USD0.039 per unit	15 March 2019	55,855
Distribution of USD0.039 per unit	16 April 2019	54,705
Distribution of USD0.039 per unit	17 May 2019	53,547
Distribution of USD0.038 per unit	18 June 2019	50,400
<u>Class A (Mdis) HKD</u>		
Distribution of HKD0.037 per unit	16 January 2019	77,802
Distribution of HKD0.039 per unit	20 February 2019	64,832
Distribution of HKD0.039 per unit	15 March 2019	58,449
Distribution of HKD0.039 per unit	16 April 2019	56,043
Distribution of HKD0.039 per unit	17 May 2019	50,002
Distribution of HKD0.038 per unit	18 June 2019	43,047
<u>Class A (Mdis) RMB-H1</u>		
Distribution of CNH0.046 per unit	16 January 2019	42,433
Distribution of CNH0.047 per unit	20 February 2019	40,230
Distribution of CNH0.046 per unit	15 March 2019	37,108
Distribution of CNH0.045 per unit	16 April 2019	36,076
Distribution of CNH0.044 per unit	17 May 2019	33,570
Distribution of CNH0.043 per unit	18 June 2019	32,802
		896,418

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE PERIOD ENDED 30 JUNE 2019

### (UNAUDITED)

#### 8 Distributions (continued)

Franklin Select Global Multi-Asset Income Fund (continued)

For the period ended 30 June 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
<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
<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
		497,400

#### 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 period ended 30 June 2019 and the year ended 31 December 2018, 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 30 June 2019 and 31 December 2018.

#### 11 Security lending arrangements

The Funds did not enter into any security lending arrangements during the period ended 30 June 2019 and the year ended 31 December 2018.

#### 12 Negotiability of assets

As at 30 June 2019 and 31 December 2018, 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 30 June 2019 and 31 December 2018.

#### 14 Contingent liabilities

The Funds had no contingent liability as at 30 June 2019 and 31 December 2018.

# INVESTMENT PORTFOLIO

## AS AT 30 JUNE 2019

### (UNAUDITED)

**TEMPLETON SELECT GLOBAL EQUITY FUND**

	Holdings	Fair value (USD)	% of NAV
<b>Investments (94.62%)</b>			
<b>Listed Equities (94.62%)</b>			
<b>Canada (2.04%)</b>			
Husky Energy Inc.	2,960	28,046	0.51
Wheaton Precious Metals Corp.	3,505	84,752	1.53
<b>China (4.56%)</b>			
Baidu Inc., ADR	540	63,374	1.15
China Mobile Ltd.	10,550	96,085	1.74
China Telecom Corp. Ltd., H	183,000	92,060	1.67
<b>Denmark (1.11%)</b>			
A.P. Moeller-Maersk AS, B	44	54,563	0.99
The Drilling Co. of 1972 AS	88	6,835	0.12
<b>France (8.48%)</b>			
BNP Paribas SA	3,284	155,926	2.82
Sanofi	1,321	114,000	2.06
Total SA	1,605	89,909	1.63
Veolia Environnement SA	4,461	108,631	1.97
<b>Germany (7.87%)</b>			
Bayer AG	1,100	76,208	1.38
Deutsche Telekom AG	7,059	122,077	2.21
E.ON SE	6,548	71,099	1.29
Fresenius Medical Care AG & Co. KGaA	671	52,666	0.95
Merck KGaA	552	57,709	1.04
Siemens AG	463	55,057	1.00
<b>Hong Kong (1.23%)</b>			
CK Hutchison Holdings Ltd.	6,900	68,009	1.23
<b>Ireland (1.25%)</b>			
CRH PLC	2,119	69,114	1.25
<b>Israel (0.87%)</b>			
Teva Pharmaceutical Industries Ltd., ADR	5,225	48,227	0.87
<b>Italy (3.29%)</b>			
Eni SpA	7,166	118,990	2.15
Tenaris SA	4,804	62,861	1.14
<b>Japan (11.79%)</b>			
Kirin Holdings Co. Ltd.	5,500	118,524	2.14
Mitsui Fudosan Co. Ltd.	2,880	69,783	1.26
Panasonic Corp.	12,660	105,394	1.91
Sumitomo Metal Mining Co. Ltd.	2,700	80,609	1.46
Sumitomo Mitsui Financial Group Inc.	1,600	56,479	1.02
Sumitomo Rubber Industries Ltd.	2,070	23,922	0.43
Suntory Beverage & Food Ltd.	1,635	71,044	1.29
Taiheiyo Cement Corp.	1,550	46,865	0.85
Takeda Pharmaceutical Co. Ltd.	2,228	78,999	1.43
<b>Luxembourg (1.08%)</b>			
SES SA, IDR	3,809	59,541	1.08
<b>Netherlands (2.06%)</b>			
ING Groep NV	9,804	113,641	2.06
<b>Singapore (1.80%)</b>			
Singapore Telecommunications Ltd.	38,550	99,704	1.80

**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**TEMPLETON SELECT GLOBAL EQUITY FUND (CONTINUED)**

	Holdings	Fair value (USD)	% of NAV
<b>Listed Equities (94.62%) (continued)</b>			
<b>South Korea (3.83%)</b>			
Hana Financial Group Inc.	1,654	53,468	0.97
KB Financial Group Inc., ADR	1,170	46,192	0.83
Samsung Electronics Co. Ltd.	2,757	112,001	2.03
<b>Switzerland (1.79%)</b>			
Landis+Gyr Group AG	460	36,628	0.66
Roche Holding AG	222	62,443	1.13
<b>Thailand (1.17%)</b>			
Bangkok Bank PCL, fgn.	10,000	64,842	1.17
<b>United Kingdom (16.29%)</b>			
BAE Systems PLC	7,120	44,794	0.81
BP PLC	22,510	156,826	2.84
Cobham PLC	36,720	49,687	0.90
Johnson Matthey PLC	1,076	45,490	0.82
Kingfisher PLC	24,039	65,605	1.19
Man Group PLC	13,815	27,334	0.49
Prudential PLC	5,236	114,105	2.06
Royal Dutch Shell PLC, A	4,215	137,573	2.49
Standard Chartered PLC	20,470	185,663	3.36
Vodafone Group PLC	44,582	73,217	1.33
<b>United States of America (24.11%)</b>			
Allergan PLC	850	142,316	2.58
Apache Corp.	2,000	57,940	1.05
Capital One Financial Corp.	1,175	106,619	1.93
Citigroup Inc.	1,645	115,199	2.08
Comcast Corp., A	2,820	119,230	2.16
Exxon Mobil Corp.	1,590	121,842	2.20
Gilead Sciences Inc.	1,230	83,099	1.50
Jones Lang LaSalle Inc.	280	39,393	0.71
Kellogg Co.	1,080	57,856	1.05
Oracle Corp.	1,570	89,443	1.62
The Kroger Co.	3,070	66,650	1.21
United Parcel Service Inc., B	990	102,237	1.85
Verizon Communications Inc.	1,000	57,130	1.03
Walgreens Boots Alliance Inc.	1,210	66,151	1.20
Wells Fargo & Co.	2,265	107,180	1.94
<b>Total Investments</b>		5,228,856	94.62
<b>Net Forward Foreign Exchange Contracts Value (Note 4)</b>		16,104	0.29
		5,244,960	94.91
<b>Other Net Assets</b>		281,249	5.09
<b>Net Assets as at 30 June 2019</b>		5,526,209	100.00
<b>Total Investments at cost as at 30 June 2019</b>		5,528,625	



**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND**

	Holdings	Fair value (USD)	% of NAV
<b>Investments (97.71%)</b>			
<b>Quoted Investment Funds (7.24%)</b>			
<b>Luxembourg (7.24%)</b>			
Franklin High Yield Fund	64,717	608,990	2.04
Templeton Emerging Markets Bond Fund	182,890	1,547,246	5.20
<b>Exchange Traded Funds (26.94%)</b>			
<b>Euro Community (5.11%)</b>			
iShares Core MSCI Europe UCITS ETF	55,075	1,520,070	5.11
<b>Ireland (18.31%)</b>			
iShares Core Global Aggregate Bond UCITS ETF	117,600	607,639	2.04
iShares Core Global Aggregate Bond UCITS ETF-Hedged	391,075	2,104,375	7.07
iShares Core MSCI EM IMI UCITS ETF	21,667	613,176	2.06
iShares Global Corporate Bond UCITS ETF	21,175	2,123,429	7.14
<b>United States of America (3.52%)</b>			
iShares MSCI ACWI ETF	14,200	1,046,682	3.52
<b>Listed Equities (35.71%)</b>			
<b>Australia (0.52%)</b>			
AGL Energy Ltd.	3,132	43,992	0.15
Bluescope Steel Ltd.	2,841	24,031	0.08
Cimic Group Ltd.	461	14,488	0.05
Rio Tinto Ltd.	986	71,815	0.24
<b>Brazil (0.36%)</b>			
IRB Brasil Resseguros SA	735	18,834	0.06
Itausa-Investimentos Itau SA, pfd.	22,700	76,119	0.26
Tim Participacoes SA	4,310	13,040	0.04
<b>Canada (0.34%)</b>			
CI Financial Corp.	1,150	18,737	0.06
Magna International Inc.	1,535	76,366	0.26
Seven Generations Energy Ltd.	1,455	7,132	0.02
<b>China (2.17%)</b>			
Agricultural Bank of China Ltd., H	87,000	36,416	0.12
Anhui Conch Cement Co. Ltd., H	4,500	28,196	0.09
Bank of China Ltd., H	366,000	154,605	0.52
Bank of Communications Co. Ltd., H	43,000	32,640	0.11
China Cinda Asset Management Co. Ltd., H	48,000	11,060	0.04
China CITIC Bank Corp. Ltd., H	45,000	25,633	0.09
China Construction Bank Corp., H	93,000	80,118	0.27
China Minsheng Banking Corp. Ltd., H	31,000	21,468	0.07
China Petroleum & Chemical Corp., H	56,000	38,064	0.13
China Railway Group Ltd., H	19,000	14,447	0.05
China Resources Power Holdings Co. Ltd.	10,000	14,593	0.05
China Shenhua Energy Co. Ltd., H	10,500	21,989	0.07
China Telecom Corp. Ltd., H	68,000	34,208	0.12
China Unicom (Hong Kong) Ltd.	31,000	34,007	0.11
Country Garden Holdings Co. Ltd.	15,000	22,811	0.08
Industrial and Commercial Bank of China Ltd., H	74,000	53,993	0.18
Postal Savings Bank of China Co. Ltd., H	34,000	20,194	0.07
<b>Denmark (0.71%)</b>			
Coloplast AS, B	340	38,413	0.13
Novo Nordisk AS, B	3,001	152,888	0.51
Pandora AS	534	18,991	0.07

**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)**

	Holdings	Fair value (USD)	% of NAV
<b>Listed Equities (35.71%) (continued)</b>			
<b>France (0.86%)</b>			
Compagnie de Saint-Gobain	801	31,211	0.10
Credit Agricole SA	1,483	17,778	0.06
Faurecia SA	355	16,470	0.06
Peugeot SA	2,796	68,881	0.23
Societe Generale SA	3,512	88,716	0.30
Valeo SA	1,025	33,327	0.11
<b>Germany (0.67%)</b>			
Aroundtown SA	3,842	31,649	0.10
Continental AG	240	34,984	0.12
Covestro AG	894	45,441	0.15
Deutsche Lufthansa AG	1,103	18,897	0.06
ProSiebenSat.1 Media SE	1,083	17,009	0.06
RWE AG	2,134	52,572	0.18
<b>Hong Kong (0.43%)</b>			
Link REIT	7,784	95,654	0.32
Wheelock and Co. Ltd.	4,620	33,118	0.11
<b>India (0.20%)</b>			
Coal India Ltd.	3,493	12,857	0.04
GAIL India Ltd.	3,677	16,636	0.06
Hindustan Petroleum Corp. Ltd.	3,132	13,175	0.04
Oil & Natural Gas Corp. Ltd.	6,873	16,721	0.06
<b>Japan (3.30%)</b>			
Alfresa Holdings Corp.	900	22,187	0.07
Astellas Pharma Inc.	3,300	46,981	0.16
Daito Trust Construction Co. Ltd.	200	25,478	0.09
Japan Airlines Co. Ltd.	500	15,966	0.05
JTEKT Corp.	1,000	12,113	0.04
KDDI Corp.	6,000	152,671	0.51
Medipal Holdings Corp.	900	19,858	0.07
Mitsubishi Gas Chemical Co. Inc.	800	10,655	0.04
Mitsubishi UFJ Financial Group Inc.	18,300	86,900	0.29
Nippon Telegraph & Telephone Corp.	2,700	125,634	0.42
NTT DOCOMO Inc.	4,174	97,266	0.33
Obayashi Corp.	3,400	33,458	0.11
ORIX Corp.	2,700	40,267	0.13
Osaka Gas Co. Ltd.	1,800	31,336	0.10
Seven & i Holdings Co. Ltd.	1,600	54,135	0.18
Shionogi & Co. Ltd.	500	28,793	0.10
Showa Denko K.K.	700	20,581	0.07
Sumitomo Heavy Industries Ltd.	500	17,181	0.06
Suzuken Co. Ltd.	400	23,446	0.08
Taiheiyu Cement Corp.	600	18,141	0.06
Taisei Corp.	900	32,679	0.11
Tokyo Gas Co. Ltd.	2,000	47,069	0.16
Tosoh Corp.	1,400	19,672	0.07
<b>Mexico (0.07%)</b>			
Fibra Uno Administracion SA de CV	16,800	22,273	0.07
<b>Netherlands (0.54%)</b>			
Koninklijke Ahold Delhaize NV	5,843	131,378	0.44
Randstad NV	549	30,146	0.10
<b>Norway (0.25%)</b>			
Aker BP ASA	539	15,449	0.05
Equinor ASA	3,016	59,534	0.20

**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)**

	Holdings	Fair value (USD)	% of NAV
<b>Listed Equities (35.71%) (continued)</b>			
<b>Singapore (0.08%)</b>			
Singapore Exchange Ltd.	3,875	22,679	0.08
<b>South Africa (0.07%)</b>			
RMB Holdings Ltd.	3,345	20,039	0.07
<b>South Korea (1.25%)</b>			
Hana Financial Group Inc.	1,351	43,673	0.15
Industrial Bank of Korea	1,240	15,059	0.05
KB Financial Group Inc.	1,138	45,099	0.15
Samsung Electronics Co. Ltd., pfd.	3,784	125,104	0.42
Shinhan Financial Group Co. Ltd.	860	33,376	0.11
SK Hynix Inc.	1,361	81,758	0.28
Woori Financial Group Inc.	2,296	27,883	0.09
<b>Spain (0.41%)</b>			
Endesa SA	1,584	40,715	0.13
Telefonica SA	10,069	82,658	0.28
<b>Sweden (0.45%)</b>			
Atlas Copco AB	1,395	40,021	0.13
Skanska AB, B	1,643	29,672	0.10
Swedbank AB, A	4,363	65,521	0.22
<b>Switzerland (1.18%)</b>			
Partners Group Holding AG	85	66,767	0.23
Roche Holding AG	1,007	283,243	0.95
<b>Taiwan (0.03%)</b>			
Yageo Corp.	1,000	8,522	0.03
<b>United Kingdom (1.77%)</b>			
3i Group PLC	4,641	65,628	0.22
Admiral Group PLC	981	27,508	0.09
Barratt Developments PLC	4,966	36,111	0.12
BHP Group PLC	2,281	58,370	0.20
Centrica PLC	28,060	31,280	0.10
Fiat Chrysler Automobiles NV	3,074	42,866	0.14
International Consolidated Airlines Group SA	2,851	17,230	0.06
J Sainsbury PLC	8,660	21,550	0.07
Mondi PLC	1,799	40,895	0.14
Next PLC	330	23,159	0.08
Persimmon PLC	1,497	37,965	0.13
Royal Mail PLC	4,179	11,246	0.04
Taylor Wimpey PLC	15,713	31,479	0.11
The Berkeley Group Holdings PLC	588	27,861	0.09
WPP PLC	4,179	52,551	0.18
<b>United States of America (20.05%)</b>			
3M Co.	375	65,002	0.22
AbbVie Inc.	365	26,543	0.09
Accenture PLC, A	825	152,435	0.51
Agilent Technologies Inc.	510	38,082	0.13
Align Technology Inc.	145	39,687	0.13
Alphabet Inc., A	50	54,140	0.18
Alphabet Inc., C	100	108,091	0.36
Altria Group Inc.	425	20,124	0.07
Amazon.com Inc.	25	47,341	0.16
Amgen Inc.	435	80,162	0.27
Apple Inc.	800	158,336	0.53
Best Buy Co. Inc.	1,240	86,465	0.29
Biogen Inc.	705	164,878	0.55

**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)**

	Holdings	Fair value (USD)	% of NAV
<b>Listed Equities (35.71%) (continued)</b>			
<b>United States of America (20.05%) (continued)</b>			
Bristol-Myers Squibb Co.	1,120	50,792	0.17
Cadence Design Systems Inc.	1,360	96,302	0.32
Cardinal Health Inc.	705	33,206	0.11
Celgene Corp.	535	49,455	0.17
Cerner Corp.	778	57,027	0.19
Cimarex Energy Co.	485	28,775	0.10
Cintas Corp.	290	68,814	0.23
Citrix Systems Inc.	655	64,282	0.22
Clorox Co.	605	92,632	0.31
Cognizant Technology Solutions Corp., A	755	47,859	0.16
Colgate-Palmolive Co.	365	26,160	0.09
ConocoPhillips	580	35,380	0.12
Danaher Corp.	390	55,739	0.19
Darden Restaurants Inc.	225	27,389	0.09
Discover Financial Services	1,605	124,532	0.42
Eaton Vance Corp.	560	24,153	0.08
Edwards Lifesciences Corp.	245	45,261	0.15
Electronic Arts Inc.	150	15,189	0.05
EOG Resources Inc.	250	23,290	0.08
Estee Lauder Cos. Inc., A	655	119,937	0.40
Exxon Mobil Corp.	1,310	100,385	0.34
F5 Networks Inc.	290	42,233	0.14
Facebook Inc., A	1,115	215,195	0.72
Fastenal Co.	2,675	87,178	0.29
IDEXX Laboratories Inc.	145	39,923	0.13
Illinois Tool Works Inc.	715	107,829	0.36
Intel Corp.	1,095	52,418	0.18
Intuit Inc.	925	241,730	0.81
Lam Research Corp.	195	36,629	0.12
Lululemon Athletica Inc.	205	36,943	0.12
LyondellBasell Industries NV, A	1,575	135,655	0.46
ManpowerGroup Inc.	300	28,980	0.10
Mastercard Inc., A	390	103,167	0.35
McKesson Corp.	435	58,460	0.20
Medtronic PLC	970	94,468	0.32
Mettler-Toledo International Inc.	120	100,800	0.34
Micron Technology Inc.	2,135	82,390	0.28
Microsoft Corp.	1,265	169,459	0.57
Monster Beverage Corp.	900	57,447	0.19
Moody's Corp.	850	166,013	0.56
NIKE Inc., B	290	24,346	0.08
Nordstrom Inc.	510	16,249	0.05
NRG Energy Inc.	850	29,852	0.10
Old Dominion Freight Line Inc.	125	18,658	0.06
Omnicom Group Inc.	225	18,439	0.06
Palo Alto Networks Inc.	75	15,282	0.05
PepsiCo Inc.	780	102,281	0.34
Public Storage	700	166,719	0.56
Raytheon Co.	100	17,388	0.06
Robert Half International Inc.	605	34,491	0.12
Rockwell Automation Inc.	580	95,021	0.32
Rollins Inc.	705	25,288	0.09
Ross Stores Inc.	705	69,880	0.24
S&P Global Inc.	705	160,592	0.54
Simon Property Group Inc.	700	111,832	0.38
Skyworks Solutions Inc.	475	36,703	0.12
Synchrony Financial	3,135	108,690	0.37
Texas Instruments Inc.	970	111,317	0.37
The Boeing Co.	135	49,141	0.17
The Gap Inc.	1,145	20,576	0.07
The Hershey Co.	705	94,491	0.32

**INVESTMENT PORTFOLIO (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND (CONTINUED)**

	Holdings	Fair value (USD)	% of NAV
<b>Listed Equities (35.71%) (continued)</b>			
<b>United States of America (20.05%) (continued)</b>			
The Kroger Co.	995	21,601	0.07
The Procter & Gamble Co.	705	77,303	0.26
The TJX Cos. Inc.	2,820	149,122	0.50
Tractor Supply Co.	225	24,480	0.08
UGI Corp.	850	45,398	0.15
Ulta Beauty Inc.	50	17,345	0.06
United Parcel Service Inc., B	415	42,857	0.14
United Therapeutics Corp.	225	17,564	0.06
Varian Medical Systems Inc.	150	20,420	0.07
Viacom Inc., B	1,700	50,779	0.17
VMware Inc., A	220	36,786	0.12
W.W. Grainger Inc.	195	52,305	0.18
<b>Quoted Fixed Income Securities (27.82%)</b>			
<b>United States Dollar (27.82%)</b>			
U.S. Treasury Bond, 3.125%, 2/15/43	369,500	411,762	1.38
U.S. Treasury Note, 2.25%, 11/15/24	1,219,000	1,247,070	4.19
U.S. Treasury Note, 2.25%, 2/15/27	2,424,800	2,483,810	8.35
U.S. Treasury Note, 3.00%, 5/15/45	757,500	827,569	2.78
U.S. Treasury Note, 3.50%, 5/15/20	3,267,700	3,309,695	11.12
<b>Total Investments</b>		29,082,590	97.71
<b>Net Forward Foreign Exchange Contracts Value (Note 4)</b>		66,691	0.22
<b>Futures (Note 4)</b>			
Euro Stoxx 50, September, 9/20/19	7	8,992	0.03
FTSE 100 Index, September, 9/20/19	1	51	—*
MSCI Emerging Markets Index, September, 9/20/19	3	7,097	0.02
Nikkei 225 Mini, September, 9/12/19	(29)	(9,414)	(0.03)
<b>Total Futures</b>		6,726	0.02
<b>Options (Note 4)</b>			
DJ Euro STOXX 50, Expires 7/05/19, Call Option, Strike Price EUR3,548.07	(227)	(730)	—*
MSCI Emerging Markets Index, Expires 7/05/19, Call Option, Strike Price USD1,074.83	(702)	(3,343)	(0.01)
S&P 500 Index, Expires 7/05/19, Call Option, Strike Price USD3,009.714	(576)	(720)	—*
<b>Total Options</b>		(4,793)	(0.01)
<b>Other Net Assets</b>		29,151,214	97.94
		611,836	2.06
<b>Net Assets as at 30 June 2019</b>		29,763,050	100.00
<b>Total Investments at cost as at 30 June 2019</b>		28,530,217	

\*Amount less than 0.01%

STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS  
AS AT 30 JUNE 2019  
(UNAUDITED)

TEMPLETON SELECT GLOBAL EQUITY FUND

	Percentage holdings of net assets 30 June 2019 %	Percentage holdings of net assets 31 December 2018 %
<b>Investments</b>		
<b>Listed Equities</b>		
Belgium	—	0.89
Canada	2.04	2.22
China	4.56	5.50
Denmark	1.11	2.40
France	8.48	8.47
Germany	7.87	5.42
Hong Kong	1.23	1.23
Ireland	1.25	1.96
Israel	0.87	1.46
Italy	3.29	1.69
Japan	11.79	7.56
Luxembourg	1.08	1.26
Netherlands	2.06	1.88
Norway	—	0.93
Singapore	1.80	1.46
South Korea	3.83	3.50
Switzerland	1.79	4.05
Thailand	1.17	1.14
United Kingdom	16.29	14.71
United States of America	24.11	24.91
<b>Total Investments</b>	94.62	92.64
<b>Forward Foreign Exchange Contracts (Note 4)</b>	0.29	0.11
	94.91	92.75
<b>Other Net Assets</b>	5.09	7.25
<b>Net Assets as at period/year end</b>	100.00	100.00

**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (CONTINUED)**  
**AS AT 30 JUNE 2019**  
**(UNAUDITED)**

**FRANKLIN SELECT GLOBAL MULTI-ASSET INCOME FUND**

	Percentage holdings of net assets 30 June 2019 %	Percentage holdings of net assets 31 December 2018 %
<b>Investments</b>		
<b>Quoted Investment Funds</b>		
Luxembourg	7.24	31.68
<b>Exchange Traded Funds</b>		
Euro Community	5.11	—
Ireland	18.31	7.09
Japan	—	2.46
United States of America	3.52	15.34
<b>Listed Equities</b>		
Australia	0.52	0.47
Brazil	0.36	—
Canada	0.34	0.62
China	2.17	0.68
Denmark	0.71	0.61
France	0.86	0.67
Germany	0.67	0.23
Hong Kong	0.43	0.21
India	0.20	—
Italy	—	0.23
Japan	3.30	2.52
Macao	—	0.13
Malaysia	—	0.09
Mexico	0.07	0.15
Netherlands	0.54	0.35
Norway	0.25	0.30
Singapore	0.08	—
South Africa	0.07	0.06
South Korea	1.25	0.64
Spain	0.41	—
Sweden	0.45	0.27
Switzerland	1.18	0.67
Taiwan	0.03	0.48
United Kingdom	1.77	1.39
United States of America	20.05	12.36
<b>Quoted Fixed Income Securities</b>		
Chinese Yuan	—	4.38
United States Dollar	27.82	13.55
<b>Total Investments</b>	97.71	97.63
<b>Forward Foreign Exchange Contracts (Note 4)</b>	0.22	0.08
<b>Futures (Note 4)</b>	0.02	(0.01)
<b>Options (Note 4)</b>	(0.01)	(0.14)
	97.94	97.56
<b>Other Net Assets</b>	2.06	2.44
<b>Net Assets as at period/year end</b>	100.00	100.00

## 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  
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

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

### TRUSTEE

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Three Garden Road, Central  
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### CUSTODIAN

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### AUDITOR

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All annual and semi-annual reports are prepared in English only.





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TEMPLETON