



Franklin Emerging Market Debt Opportunities Fund

Multi-Sector
Fixed Income
September 30, 2021

Product Profile

Product Details

Fund Assets	\$138,929,912.98
Fund Inception Date	05/24/2006
Number of Holdings	97
NASDAQ Symbol	FEMDX
Investment Style	Multi-Sector
Benchmark	JP Morgan EMBI Global Diversified Index JP Morgan EMBI Global Diversified ex-GCC Index JP Morgan GBI-EM Broad Diversified Index ICE BofA Emerging Market Corporate Plus (USD Hedged) Index
Morningstar Category™	Emerging Markets Bond
Dividend Frequency	Annually

Fund Description

The fund seeks high total return by investing mainly in debt obligations of sovereign and subsovereign issuers located in emerging market countries¹.

The fund will normally invest at least 80% of its net assets in debt securities of emerging market countries.

The fund invests mainly in debt securities issued by sovereign and subsovereign government entities, including securities issued by political subdivisions, local authorities, government agencies, government owned, controlled, sponsored or guaranteed corporations, and supranationals located in emerging market countries. Although the investment manager tends to focus on these types of securities, securities issued by corporate entities that are controlled (i.e., more than 50% owned) by a sovereign entity, and corporate emerging markets debt, are also considered suitable investments.

The fund may invest up to 100% of its assets in high yield, lower quality debt securities.

Performance Data

Average Annual Total Returns (USD %)²

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/24/2006)
Franklin Emerging Market Debt Opportunities Fund	0.68	3.52	12.97	5.74	5.24	5.64	6.58
JP Morgan EMBI Global Diversified Index	-0.70	-1.36	4.36	5.65	3.89	5.80	6.65
JP Morgan EMBI Global Diversified ex-GCC Index	-0.87	-1.66	4.41	5.24	3.64	-	-
JP Morgan GBI-EM Broad Diversified Index	-2.49	-5.23	3.66	4.59	2.73	1.88	4.51
ICE BofA Emerging Market Corporate Plus (USD Hedged) Index	-0.47	-0.19	3.81	6.49	4.70	5.75	6.11

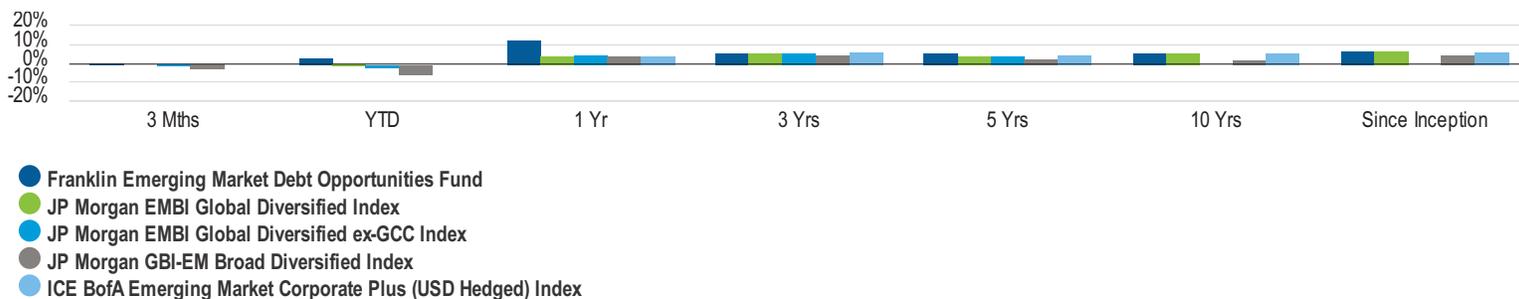
Total Annual Operating Expenses—With Waiver: 1.02% Without Waiver: 1.06%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call your Franklin Templeton institutional marketing representative at 1.800.321.8563 or visit fainstitutional.com for the most recent month-end performance.

The fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 11/30/2021. Fund investment results reflect the expense reduction and fee waiver; without these reductions, the results would have been lower.

1. Emerging market countries generally include those considered to be developing by the World Bank. These countries typically are located in the Asia-Pacific region, Eastern Europe, Central and South America, and Africa. In addition, countries that have restructured their external or local debt during the past 10 years or currently have restructured external or local debt outstanding may also be considered to be emerging market countries.

2. Periods shorter than one year are shown as cumulative total returns.



Calendar Year Returns (USD %)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Franklin Emerging Market Debt Opportunities Fund	3.93	9.90	-1.21	11.67	12.44	-2.38	-0.83	1.06	17.15	1.58
JP Morgan EMBI Global Diversified Index	5.26	15.04	-4.26	10.26	10.15	1.18	7.43	-5.25	17.44	7.35
JP Morgan EMBI Global Diversified ex-GCC Index	4.66	14.46	-4.16	10.38	10.15	-	-	-	-	-
JP Morgan GBI-EM Broad Diversified Index	4.46	12.21	-4.67	13.91	8.71	-12.01	-2.28	-7.26	14.75	-1.70
ICE BofA Emerging Market Corporate Plus (USD Hedged) Index	7.18	12.67	-1.06	7.06	9.71	1.14	3.60	-0.90	15.69	4.08

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Portfolio Manager Insight*

Market Review

Emerging market (EM) hard-currency government bonds : -0.70%

- Concerns about the Delta variant receded, but inflation rose and the Federal Reserve (Fed) took a more hawkish stance. Ten-year US Treasury yields ended September at 1.52%, seven basis points (bps) higher for the quarter.
- The spread-to-worst of US-dollar EM government bonds widened 16 bps during the quarter.
- Brent crude oil prices rose to US\$78.31 per barrel at the end of the quarter.

EM local-currency government bonds (unhedged, in US-dollar terms) : -2.49%

- EM local-currency bond yields rose 22 bps during the quarter.
- EM currencies mostly weakened.

EM hard-currency corporate bonds (hedged into US dollars) : -0.47%

- EM corporate spreads widened less than spreads on EM government bonds, which typically have a longer duration.

Performance Review^a

Grenadian US-dollar bonds were the main contributor to performance.

- Grenadian government accounts showed sufficient revenues under the "Citizen By Investment" program to trigger a payment in November. The Inter-American Development Bank projected Grenada's debt ratio to be lower by 2026 than in 2019.

Surinamese US-dollar bonds also contributed to returns.

- Negotiations with Suriname's creditors failed to make progress, but some oil firms have now advanced to the "Final Investment Decision" stage in the country's offshore exploration block 58.

Salvadoran bonds were the main detractor from performance.

- The country's adoption of bitcoin as parallel legal tender caused problems during the quarter. The top court opened the door to President Nayib Bukele's re-election, but the constitution foresees a one-term limit.

Outlook & Strategy

- EM growth has lagged year-to-date because of these countries' lower vaccination rates, smaller fiscal stimulus and rate hikes.
- But EM growth is set to outpace that of advanced economies in 2021 and until 2026, according to the International Monetary Fund. Higher commodity prices have improved EMs' terms of trade, and liquidity risk has receded after the receipt of US\$650 billion in Special Drawing Rights.

- Recent wider spreads have resulted from fears about inflation and stagflation, Fed tightening, the Chinese property sector and retail outflows.
- EM hard-currency debt remains attractive because developed market yields are low. EM local-currency bonds have become more attractive because real yields in developed markets have fallen recently.
- EMs remain a rare fixed income segment to offer positive real yields.

*The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager’s assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund’s portfolio selection process. Holdings are subject to change.

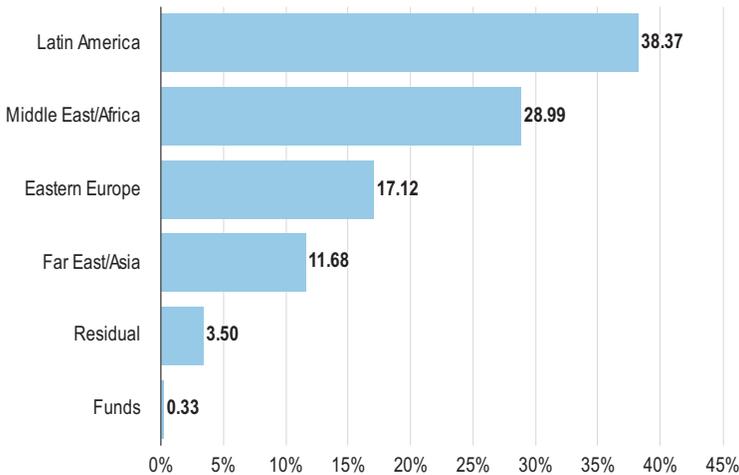
Portfolio Characteristics^{b,c,d}

	Portfolio	JP Morgan EMBI Global Diversified Index
Annual Turnover Ratio (07/31/2020)	34.71%	-
Average Duration	4.51 Yrs	7.97 Yrs
Average Weighted Maturity	6.76 Yrs	12.59 Yrs

Portfolio Diversification^c

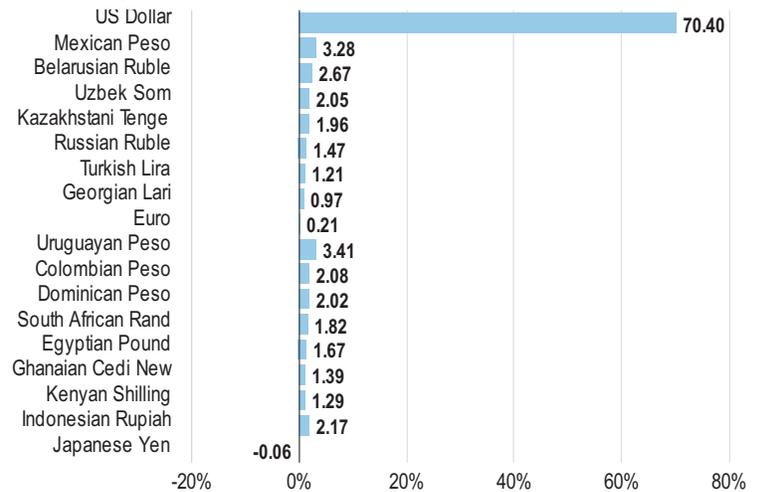
Geographic Allocation^{e,3}

Market Value—Percent of Total



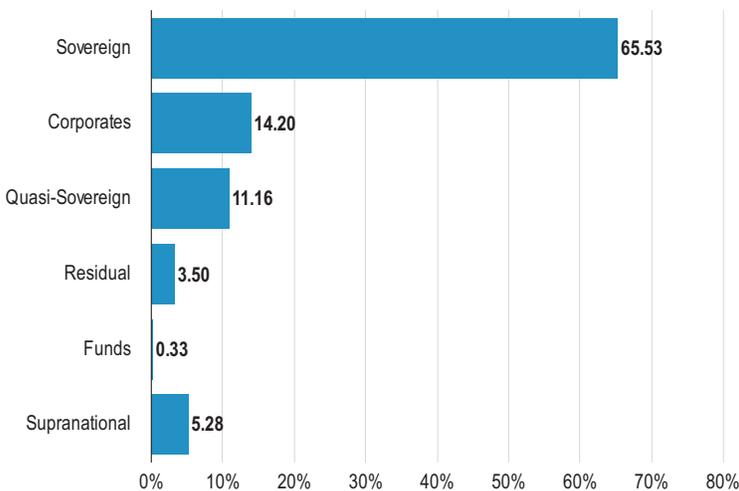
Currency Exposure^f

Notional Exposure—Percent of Total



Sector Allocation^{e,4}

Market Value—Percent of Total



3,4. The Funds refers to a private limited partnership fund focused on global distressed debt.

Performance Statistics

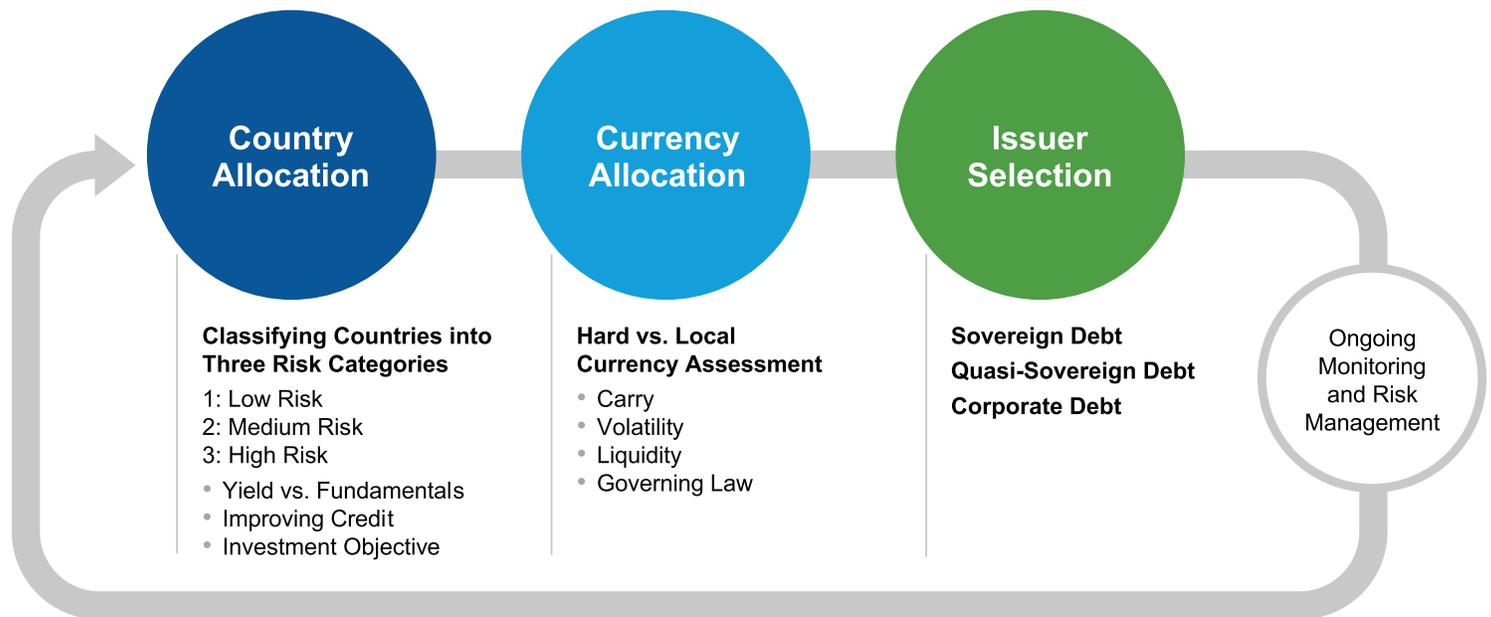
Risk Statistics⁵

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Emerging Market Debt Opportunities Fund	11.40	9.44	8.23	10.14
JP Morgan EMBI Global Diversified Index	10.71	8.94	7.82	8.79
Tracking Error (%)	4.99	4.29	4.13	5.65
Information Ratio⁶	0.02	0.32	-0.04	-0.02
Sharpe Ratio				
Franklin Emerging Market Debt Opportunities Fund	0.41	0.44	0.61	0.55
JP Morgan EMBI Global Diversified Index	0.43	0.31	0.67	0.65

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Investment Process

Franklin's Emerging Market Debt Opportunities investment process can be summarized in three integral steps—country allocation, currency allocation and issuer selection.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Nicholas Hardingham, CFA	18	21
Stephanie Marjan Ouwendijk, CFA	6	13

Average Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

5. Information Ratio and Tracking Error information are displayed for the product versus the JP Morgan EMBI Global Diversified Index.

6. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

What Are The Risks?

All investments involve risks, including possible loss of principal. An issuer of debt securities may fail to make interest payments or repay principal when due, in whole or in part. Changes in the financial strength of an issuer of a debt security or in a debt security's credit rating may affect its value. Special risks are associated with foreign investing including currency volatility, economic instability, and social and political developments of countries where the fund invests. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. The risks associated with higher yielding, lower rated securities include higher risk of default and loss of principal. In addition, interest rate movements will affect the fund's share price and yield. Prices of debt securities generally move in the opposite direction of interest rates. Thus, as prices of debt securities in the fund adjust to a rise in interest rates, the fund's share price may decline. The fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. These and other risks are detailed in the fund's prospectus.

Important Information

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, call Franklin Templeton at (800) 321-8563 or visit ftinstitutional.com. Please carefully read a prospectus before you invest or send money.

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Source: FactSet. The JP Morgan EMBI Global Diversified Index and JP Morgan EMBI Global Diversified ex-GCC Index track total returns for U.S. dollar-denominated debt instruments and the JP Morgan GBI-EM Broad Diversified Index tracks total returns for local currency instruments but with returns expressed in USD. Those three indexes include instruments issued by emerging market sovereign and quasi-sovereign entities. The ICE BofAML Emerging Market Corporate Plus (USD Hedged) Index consists of securities denominated in U.S. dollar and euro. It is generally representative of the emerging market quasi-sovereign and corporate bonds. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges. The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use. See www.franklintempletondatasources.com for a full copy of the Disclaimer. Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

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- a. Portfolio information is based on a representative account taken from the Franklin Emerging Market Debt Opportunities Fund. The information is historical, may not reflect current or future characteristics and may vary significantly among individual separate accounts depending on a variety of factors such as portfolio size, specific investment guidelines and inception dates of the individual accounts.
- b. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. All holdings are subject to change.
- c. All holdings are subject to change.
- d. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).
- e. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.
- f. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.



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