

Important notice

Franklin Templeton – Changes to certain underlying funds

Introduction

We have received notification from Franklin Templeton Investment Funds (the 'Company') that the following changes to certain funds will take effect on or around 16 December, 2019 (the 'Effective Date').

The ILP sub-funds affected by these changes (detailed below) are available as a mirror fund or through the International Wealth Account (IWA)/Global Choice (GC) fund range.

Which ILP sub-funds are affected?

Fund code	ILP sub-fund name	Fund range
TAUSD	ZI TEMPLETON GLOBAL SMALLER COMPANIES	Mirror
TDUSD	ZI TEMPLETON GLOBAL TOTAL RETURN	Mirror
XCUSD	TEMPLETON GLOBAL TOTAL RETURN	IWA/GC
XDUSD	TEMPLETON GLOBAL BOND	IWA/GC
TEUSD	ZI TEMPLETON GLOBAL BOND	Mirror

What's happening?

Franklin Templeton Investments (Asia) Limited has informed us of the following changes to certain underlying funds. The changes are summarised below:-

- i) Update to the investment policy of the Templeton Global Smaller Companies Fund and Templeton Global Bond Fund to clarify the use of financial derivative instruments for investment purposes.

To aid in the efficient portfolio management of these Funds, the investment policy of the Fund's shall be updated to add the following:

'The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts, equity and equity index options, equity linked notes, as well as options (including warrants).'

As a result of the underlying Fund's investment in financial derivative instruments, it will be subject to 'Derivative Instruments risk' and 'Warrants risk' as described under the 'RISK CONSIDERATIONS' section of the Current Explanatory Memorandum.

The Investment Manager believes that this update to the investment policy for the Fund will be beneficial to Shareholders in the Fund.

The ILP sub-funds affected are detailed below.

Fund code	ILP sub-fund name
TAUSD	ZI TEMPLETON GLOBAL SMALLER COMPANIES
XDUSD	TEMPLETON GLOBAL BOND
TEUSD	ZI TEMPLETON GLOBAL BOND

- ii) Elaborations on the investment policies of several Funds to disclose their investment in Mainland China through the Bond Connect or directly (also referred to as CIBM direct)

The investment policies of the Templeton Global Bond Fund and Templeton Global Total Return Fund will be elaborated to disclose that they may invest in Mainland China through the Bond Connect or CIBM direct. The increase in exposure (where applicable) and maximum exposure are also listed in the table below:

Fund code	ILP sub-fund name	Investment in Mainland China through the Bond Connect or CIBM direct
TDUSD	ZI TEMPLETON GLOBAL TOTAL RETURN	Less than 30%
XCUSD	TEMPLETON GLOBAL TOTAL RETURN	Less than 30%
XDUSD	TEMPLETON GLOBAL BOND	Less than 30%
TEUSD	ZI TEMPLETON GLOBAL BOND	Less than 30%

As a result of the Fund's investment in Mainland China through the Bond Connect or CIBM direct, please refer to the risk disclosures on "China Bond Connect risk" and "Chinese Market risk" under the "RISK CONSIDERATIONS" section of the Current Explanatory Memorandum for details of the relevant risks associated with this proposed change.

- iii) Elaborations on the investment policies of several Funds to disclose the employment of Environmental, Social and Governance (ESG) rating methodology.

The investment policies of the Templeton Global Bond Fund and Templeton Global Total Return Fund shall be elaborated to disclose their employment of Environmental, Social and Governance (ESG) rating methodology in the process of building the investment portfolios.

The investment policies of these Funds shall be updated to add the following:

'The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.'

The ILP sub-funds affected by this change are detailed below:

Fund code	ILP sub-fund name
TDUSD	ZI TEMPLETON GLOBAL TOTAL RETURN
XCUSD	TEMPLETON GLOBAL TOTAL RETURN
XDUSD	TEMPLETON GLOBAL BOND
TEUSD	ZI TEMPLETON GLOBAL BOND

Clients do not need to take any action; however, if they do not wish to remain in the above ILP sub-funds as a result of this change they can switch into an alternative ILP sub-fund.

If the client is resident in the US or a US federally controlled territory, the option to switch is not available.

Clients can access additional ILP sub-fund choices in the 'Funds' section on www.zurich.com.sg.

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