

1 July 2017

Important notice to members

Modifications to fund constitutions to implement the Attribution Managed Investment Trust (AMIT) rules

This notice relates to the following registered managed investment schemes for which Franklin Templeton Investments Australia Ltd (ABN 87 006 972 247) (**FTIAust**) is the Responsible Entity:

1. Franklin Australian Absolute Return Bond Fund (ARSN 601 662 631)
2. Franklin Global Growth Fund (ARSN 132 597 972)
3. Franklin Templeton Australian Equity Fund (ARSN 152 526 175)
4. Franklin Templeton Global Aggregate Bond Fund (ARSN 160 124 096)
5. Franklin Templeton Multisector Bond Fund (ARSN 137 298 714)
6. Templeton Global Bond Plus Fund (ARSN 127 316 250)
7. Templeton Global Equity Fund (ARSN 104 669 427)
8. Templeton Global Trust Fund (ARSN 097 696 752)

(together, the **Funds**).

Purpose of this notice

On 31 May 2017, FTIAust gave notice to members that it proposed to modify the constitutions of the Funds to enable each Fund to elect into the AMIT regime, should it be eligible.

The purpose of this notice is to inform members that FTIAust has now made these amendments to the Constitutions of the Funds.

Why were the constitutions modified?

The Australian Government has enacted legislation to implement a new regime for the taxation of managed investment trusts, referred to as the Attribution Managed Investment Trust (**AMIT**) rules. Subject to eligibility, FTIAust may elect for a Fund to be classified as an AMIT and be subject to the AMIT rules.

FTIAust is proposing to make an election for each Fund, should it be eligible, to operate as an AMIT under the AMIT rules where it considers this to be in the best interests of the members of a Fund as a whole. The modifications to the Constitutions are required to facilitate the operation of the Fund under the AMIT rules should FTIAust make this election.

FTIAust considers that operating a Fund as an AMIT may have the following benefits to members:

- (a) **certainty** as to the tax status of the Fund and its entitlement to certain tax concessions, including being a 'fixed trust' for tax purposes;
- (b) **certainty** as to the tax treatment of members of the Fund, in relation to the quantum and character of the amounts on which they are taxed as a result of investing in the Fund, and how "under" or "over" distributions of amounts are dealt with;
- (c) **flexibility** for the taxable income of the Fund to be attributed to members on a fair and reasonable basis;
- (d) **ability to quarantine classes** of units in a Fund for tax purposes so that members receive an

- attribution of taxable income that reflects the class of units that they hold; and
- (e) **ability to minimise double taxation** by allowing FTIAust to make upward cost base adjustments to Fund units where cash distributions are less than the taxable income attributed to members.

What is the effect of the modifications?

The modifications to be made to the Constitution (**Modifications**), and the reasons for the modifications and their effect, are summarised below in the attached table. The Modifications relate to the Constitution of each Fund listed above. A copy of the Fund's existing Constitution and the Modifications are available to Members on request by calling us on 1800 673 776.

What do members need to do?

Members should note the Modifications and if necessary seek independent tax advice to assess the impact on their circumstances and needs.

If you have any questions about the Modifications, please contact your financial adviser or tax adviser or contact us on 1800 673 776.

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Modification	Description of the Modification to the Constitution
AMIT Powers	This modification provides for FTIAust to have certain specific powers and rights in relation to the AMIT rules, which are necessary for or incidental to comply with and administer the Fund under the AMIT rules. These powers also include the power to require a Member and former Member to provide an indemnity in respect of any tax and associated amounts incurred by FTIAust under the AMIT Regime. Although the terms of these powers are broad, most of these powers were already provided to FTIAust under the AMIT rules. Including these powers in the Constitution provides greater certainty regarding their operation and ensures they are subject to the limitation of liability discussed below.
Responsible entity's limitation of liability for AMIT Regime Powers	This modification provides for FTIAust's liability to Members and former Members to be limited where FTIAust is exercising powers under the AMIT rules. This additional limitation of liability was included as a reflection of the broad powers that are provided to FTIAust under the AMIT rules, which could expose the responsible entity or the Fund to unnecessary cost, liability and expense. The AMIT rules already provide Members and former Members with specific powers to object to the attribution of taxable income under the AMIT Regime (see below), and FTIAust's new limitation of liability is subject to limits under the Corporations Act and general trust law.
Clearly Defined Rights	This modification specifically limits the powers, rights and discretions conferred on FTIAust to the extent necessary to ensure that the Fund satisfies the "clearly defined rights" requirement that is necessary for the Fund to be an AMIT. This clause will have no effect provided the Fund remains a registered managed investment scheme. FTIAust has no intention of deregistering the Funds.
Determination of Income	This modification provides for the determination of Income in income years where the Fund is an AMIT, and adapts the existing default definition (which is based on the adjusted taxable income of the Fund, expressed through concepts used in the existing trust tax rules) to concepts used in the AMIT rules. This modification ensures that where the Fund is an AMIT, Income is determined in accordance with the AMIT rules.
Power to accumulate amounts	This modification provides the responsible entity with a power to accumulate Income for financial years that the Fund is an AMIT, and the consequences of this accumulation, including how the tax components referable to Income accumulated will be attributed to Members under the AMIT rules. These modifications provide the responsible entity with the flexibility not to distribute all of the Income where the circumstances are appropriate. Under the AMIT rules, Members should receive an upward cost base adjustment on their units in the event that this results in the taxable income attributed to the Member being greater than the amounts distributed.
Income Entitlements	This modification provides for the determination of Income Entitlements for Members in income years where the Fund is an AMIT and will ensure that amounts that have been accumulated or are referable to tax components that will be attributed to a Member who redeems units under a "Significant Redemption" (see below) are appropriately accounted for in making such determinations.
Attribution under AMIT Regime – basis for attribution	This modification provides for the attribution of taxable income among Members in accordance with the AMIT rules. The attribution methodology will be based on Members' Income Entitlements, any "Redemption Attribution Amounts" that may arise (see below) where the Member has redeemed units under a "Significant Redemption" (see below) and, in relation to amounts accumulated, the methodology discussed above. This modification is to ensure that the attribution of taxable income is made on a fair and reasonable basis as required by the AMIT rules.
Attribution under AMIT Regime – AMIT Class Election	This modification provides provisions that specify how the taxable income of the Fund will be attributed to Members where FTIAust elects for each class to be treated as a separate AMIT. The methodology adopted will require FTIAust to quarantine the taxable income and expenses of each class to the Members of that class. This modification will ensure that where the AMIT Class Election has been made, each class will be treated as a separate AMIT for these purposes.

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<p>Attribution under AMIT Regime – Redemption Attribution Amounts</p>	<p>This modification provides that while the Fund is operated as an AMIT, the FTIAust can attribute certain tax components to a Member who redeems units under a “Significant Redemption”. These tax components will be the aggregate of the gains that are realized by the Fund to fund the Member’s redemption (capped at the Member’s gain on redemption) as well as a pro rata share of the other unallocated tax components of the Fund. These modifications seek to provide for the attribution of tax components to Members on a fair and reasonable basis as required by the AMIT rules, by preventing continuing Members from being taxed on the relevant components.</p>
<p>FTIAust’s new indemnity for AMIT taxes</p>	<p>This modification requires each Member and former Member to indemnify FTIAust in relation to any tax and any other costs, expenses or liabilities incurred as a result of being liable to such taxes, that may become payable by FTIAust under the AMIT rules and that FTIAust determines relates to the Member or former Member. The modifications will also confer powers on FTIAust to undertake certain actions to satisfy that indemnity from amounts owing to the Member or from the Member’s units including the power to deduct from the proceeds of a redemption or redeem a Member’s units (without a redemption request). This indemnity seeks to protect FTIAust, the Fund and Members where the Fund is exposed to tax and associated costs, expenses or liabilities that relate to a particular Member.</p>
<p>Member objections</p>	<p>This modification sets out the terms on which Members and former Members will be able to exercise their rights to object to FTIAust’s attribution of taxable income to them under the AMIT rules, and confer specific powers on FTIAust to (i) take such actions as FTIAust considers appropriate or reasonable to provide for the rights and interests of other Members to be protected; (ii) amend its attribution and take such actions as FTIAust determines necessary to give effect to the amended attribution and (iii) be indemnified by the Member against any costs incurred in relation to dealing with their objection. While the new clause places additional obligations on objecting Member or former Members, it provides FTIAust with powers to ensure that any such objections that may be made by a Member or former Member are dealt with in an efficient and effective manner, and to minimise the adverse impact of objections made by a particular Member or former Member on other Members. The indemnity from the objecting Members should benefit the other Members and former Members and FTIAust because FTIAust might otherwise be entitled to be indemnified from the Fund.</p>
<p>Unders and overs</p>	<p>This modification facilitates the exercise of FTIAust’s powers in relation to unders and overs of the Fund, in the manner permitted by the AMIT rules, and confirms that the exercise of FTIAust’s powers in relation to unders and overs is subject to a similar limitation of liability as provided for generally under the Constitution.</p>
<p>Incidental Changes</p>	<p>Additional Modifications were made to the Constitution that are incidental to the Fund being operated as a AMIT, for example:</p> <ul style="list-style-type: none"> • to include specific definitions referable to the AMIT Regime; and • to move some of the existing provisions of the Constitution, that relate to how the Fund is to be administered when it is not an AMIT, to a Schedule to ensure that where the Fund is not an AMIT the Constitution continues to operate as intended.