

2 April 2020

## **Important Notice for Unitholders**

### **Update on Distributions for the Franklin Australian Absolute Return Bond Fund**

For the month ended 31 March 2020, the Responsible Entity has determined that no distribution will be made for the Franklin Australian Absolute Return Bond Fund (ARSN 601 662 631) (**Fund**).

This decision reflects the sharp depreciation of the Australian dollar over the course of March which has resulted in insufficient distributable income for the Fund.

Although there is coupon interest on the bonds received by the Fund, distributions are based on the taxable income of the Fund, which also includes any gains or losses from the sale or maturity of the underlying instruments, including foreign currency forwards.

The impact of the depreciation of the Australian dollar is that the value of the foreign securities that we hold does increase (and depending on the hedge, are often in the same proportion with the losses on the hedges). However, differences arise from the timing of when the gains and losses are included in the distributable income, which is based on when these positions are realised. It is important to note that generally there is no real impact on the unit price of the Fund as the loss on the foreign currency forwards is usually offset by the gains on the underlying bonds.

Our portfolio management team are monitoring markets and the Australian dollar closely. This is an unusual period of volatility and once volatility normalises we expect to be in a position to distribute again.

The Fund has paid a monthly distribution since inception and we aim to return to monthly distributions as soon as possible.

However, the amount of distributions may vary from period to period and there may be other periods in which no distribution is made.

The level of distributable income is not necessarily an indicator of investment returns.

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

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