

AUDITED ANNUAL REPORT

FRANKLIN TEMPLETON SHARIAH FUNDS

Société d'investissement à capital variable

October 31, 2019



FRANKLIN
TEMPLETON

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société d'investissement à capital variable

AUDITED ANNUAL REPORT

For the year ended October 31, 2019

This report shall not constitute an offer or a solicitation of an offer to buy shares of Franklin Templeton Shariah Funds (the "Company"). Subscriptions are to be made on the basis of the current prospectus and its addendum as the case may be, where available the relevant Key Investor Information Documents ("KIIDs"), a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report.

The auditor's report refers only to the English version of the Annual Report and not to any translated versions.

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société d'investissement à capital variable

8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg

(Registered with the registre de commerce et des sociétés, Luxembourg, under number B 169 965)

General Information

As at October 31, 2019

BOARD OF DIRECTORS:

Chairman

William Jackson

Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

5 Morrison Street

Edinburgh EH3 8BH, Scotland

United Kingdom

Directors

James F Kinloch

Director

FRANKLIN TEMPLETON LUXEMBOURG S.A.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

Hans-J. Wisser

Independent Director

Kälberstücksweg 37

61350 Bad Homburg

Germany

Michel Tulle

General Manager and Conducting Officer

FRANKLIN TEMPLETON FRANCE S.A.

20 rue de la Paix

F-75002 Paris

France

MANAGEMENT COMPANY:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

SHARIAH SUPERVISORY BOARD:

AMANIE ADVISORS SDN BHD

Level 13A-2

Menara Tokio Marine Life

189, Jalan Tun Razak

50400 Kuala Lumpur

Malaysia

– *Dr. Mohamed Ali Elgari*

– *Dr. Muhammad Amin Ali Qattan*

– *Dr. Mohd Daud Bakar*

– *Dr. Osama Al Dereai*

SHARIAH STOCK SCREENING PROVIDER:

IDEALRATINGS INC

425 Market Street, Suite 2200

San Francisco, CA 94105

United States of America

REGISTERED OFFICE:

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

PRINCIPAL DISTRIBUTOR:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.

8A, rue Albert Borschette, L-1246 Luxembourg

Grand Duchy of Luxembourg

INVESTMENT MANAGERS:

FRANKLIN TEMPLETON INVESTMENTS (ME) LIMITED

Gate Building EastWing, 2nd Floor

Dubai International Financial Centre

P.O. Box 506613

Dubai, United Arab Emirates

Franklin Templeton Investments (ME) Limited manages Franklin Global Sukuk Fund.

TEMPLETON ASSET MANAGEMENT LTD

7 Temasek Boulevard

38-03 Suntec Tower One

Singapore 038987

Templeton Asset Management Ltd manages Templeton Shariah Global Equity Fund.

SUB-ADVISERS:

FRANKLIN TEMPLETON GSC ASSET MANAGEMENT Sdn. Bhd.

Suite 31-02, 31st Floor, Menara Keck Seng

203 Jalan Bukit Bintang

55100 Kuala Lumpur

Malaysia

Franklin Templeton GSC Asset Management Sdn. Bhd. has been appointed as sub-adviser for the Franklin Global Sukuk Fund.

DEPOSITARY BANK:

HSBC France, Luxembourg Branch

16, boulevard d'Avranches L-1160 Luxembourg

Grand Duchy of Luxembourg

AUDITOR:

PRICEWATERHOUSECOOPERS, Société coopérative

2, rue Gerhard Mercator, L-2182 Luxembourg

Grand Duchy of Luxembourg

LEGAL ADVISERS:

ELVINGER, HOSS & PRUSSEN, société anonyme

2, place Winston Churchill, L-1340 Luxembourg

Grand Duchy of Luxembourg

Report of the Board of Directors

At October 31, 2019, total net assets of Franklin Templeton Shariah Funds (“FTSF,” or the “Company”) stood at US\$245.40 million, higher than the US\$225.32 million under management at October 31, 2018.

The size and depth of the Shariah-compliant investment universe has continued to increase over the past year, driven by a wide range of factors. Improving macroeconomic indicators in emerging markets, outperformance in select stock markets, new fixed income issuances and the inclusion of Sukuk securities in some conventional benchmark indices have all contributed to the growth of this sector.

With its specialized expertise and on-the-ground resources in key markets in the Middle East and Southeast Asia, Franklin Templeton stands ready to capture future opportunities amid a dynamic and changing investment landscape. The ongoing progress of economic reforms across Asia, the continued development of emerging-market nations and geopolitical events worldwide have all focused an increasing amount of investor attention on the Shariah-compliant space. With a long track record in these regions, we believe the Company is well positioned to navigate this complex territory and also to look beyond the headlines and identify fundamentally sound value for our investors.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board of Directors of the Company (the “Board”) adheres to the principles of the ALFI Code of Conduct (as revised – June 2013) and considers that it has been in compliance with its principles throughout the financial year ended October 31, 2019.

Thank you for investing with Franklin Templeton Investments. Please be advised that the prospectus, the Key Investor Information Documents (KIIDs) and all Funds and share classes of FTSF may not be available in your jurisdiction.

If you have any queries, comments or suggestions about your investments with us please contact your financial adviser or your local Franklin Templeton Investments office using the contact details on the last page of the report.

THE BOARD OF DIRECTORS
Luxembourg, November 2019



15 November 2019

Franklin Templeton International Services S.à r.l.

8A, Rue Albert Borschette,
L-1246 Luxembourg
Grand Duchy of Luxembourg

Attn: **The Conducting Officers**

ANNUAL SHARIAH COMPLIANCE REPORT FOR FRANKLIN TEMPLETON SHARIAH FUNDS FOR THE PERIOD BETWEEN 1 NOVEMBER 2018 AND 31 OCTOBER 2019

Based on our view of the investments of Franklin Templeton Global Sukuk Fund, Templeton Shariah Asian Growth Fund and Templeton Shariah Global Equity Fund ("the sub-funds") and on the information provided to us by the representative of Franklin Templeton Shariah Funds, we hereby confirm that the Funds' investments as well as their transactions during the financial year ended 31 October 2019 are in compliance with the Islamic investment guidelines as interpreted and issued by Amanie Shariah Supervisory Board Members.

Yours faithfully,

DATUK DR MOHD DAUD BAKAR

(On behalf of the Amanie Advisors Shariah Supervisory Board)

Shariah Supervisory Board Members

Dr. Mohamed Ali Elgari (Chairman)

Dr. Mohd. Daud Bakar

Dr. Muhammad Amin Ali Qattan

Dr. Osama Al Dereai

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Report of the Investment Managers

Market Performance

Global equity markets overall ended the 12 months under review with a robust return in US dollars, with broad-based advances around the world, as measured by MSCI indices. Developed markets performed in line with the global index, while the collective gains of emerging and frontier markets lagged somewhat.

The US stock market outpaced the global index, while the solid rises of other major regional groupings for the period trailed. Global stocks were aided by upbeat economic data in some regions early in the period, flashes of optimism about the US-China trade talks, and monetary policy easing by major central banks.

The US Federal Reserve (Fed) lowered interest rates for the first time in a decade, with three cuts during the review period. However, markets also reflected concerns about political uncertainties in the United States (including possible impeachment proceedings against President Trump), geopolitical tensions in the eurozone and other regions, and the impact of US trade disputes with China and other trading partners on global growth and corporate earnings.

The International Monetary Fund (IMF) downgraded its global economic outlook for 2019 to 3.0%, the slowest annual growth rate since the 2009 financial crisis. The IMF commented that while increased monetary policy accommodation and a resilient services sector have cushioned the effects of rising trade and geopolitical tensions, the outlook remains precarious.

In Turkey, political and economic risks contributed to rating agencies continuing to view the country's sovereign rating as speculative. At the end of the review period, Saudi Arabia confirmed it would launch the initial public offering (IPO) of Saudi Aramco, the state oil company, before the end of the year; Saudi Aramco's IPO is expected to be the largest ever listing globally.

Global Sukuk markets, as represented by the Dow Jones Sukuk Index, moved higher over the 12-month review period. The return of the Sukuk market was higher than broader global bond indices such as the FTSE World Government Bond Index and the Barclays Global Aggregate Index, but behind emerging market (EM) bonds (represented by the JPMorgan Emerging Markets Bond Index Global (EMBIG) Diversified, which tracks hard-currency EM government bonds).

The Sukuk market mainly benefitted from lower yields that drove total returns to their highest level in recent years, while spread compression also contributed positively but to a smaller degree. The Sukuk universe continued to benefit from ongoing economic and social reforms in a number of countries, despite agreed crude oil production cuts putting pressure on the budgets of several Gulf Cooperation Council countries, in particular. On a global basis, investor sentiment was influenced by alternating bouts of optimism and pessimism surrounding the trade dispute between the United States and China. Concerns about potential economic weakness led key central banks globally to turn increasingly dovish, with the US Federal Reserve, for example, implementing interest-rate cuts.

Fund Performance

Franklin Global Sukuk Fund

Franklin Global Sukuk Fund returned 13.4% on a gross basis and 11.8% on a net basis in the 12 months to 31 October 2019. It outperformed its benchmark, the Dow Jones Sukuk Index, which returned 11.5% over the same period, all in US dollars.

Yield-curve movements added the most to relative returns, as the fund benefitted from exposure to Nigerian rates, followed by smaller contributions from the Malaysian, Indonesian and euro rates. There was a slight detraction from US-dollar duration exposure.

The fund's currency exposure proved positive, as the Indonesian rupiah added to overall performance and offset a detraction from euro exposure.

Security selection added substantially to the fund's relative performance, as sovereigns and corporate industrials had positive impacts. Amongst sovereigns, Indonesia and Bahrain added value, while in corporate industrials Ezdan and Dana Gas lifted performance. However, corporate financials detracted from overall selection as Bank Asya had a negative effect.

Asset allocation detracted, mainly as a result of an off-benchmark allocation to local-currency Treasuries and cash holdings. In addition, an underweight to sovereigns, which was the best-performing sector, proved unhelpful. There were positive partial offsets, particularly from an underweight to the supranational sector.

Templeton Shariah Global Equity Fund

For the year ended 31 October 2019, the fund underperformed its benchmark index. The fund returned -1.0% (net) in US-dollar terms, while the benchmark MSCI All Country World Islamic Index posted a 9.5% total return, also in US-dollar terms.

Security selection and an overweight allocation in the energy sector hampered relative results. Shares of Canadian exploration and production firm Husky Energy as well as multinational oil and gas corporations Exxon, BP, and Royal Dutch Shell, traded lower during the period. Italy-based natural gas importer Eni and tubular pipe-maker Tenaris also pressured results within the sector. Our energy strategy has been to remain nimble, using major price declines to increase exposure to cyclically geared oil services and exploration and production (E&P) stocks and then rotating back towards the large, dividend-paying integrated as the price of oil recovers above the marginal cost of production. This has worked reasonably well over time, and in the current environment, leaves us biased towards the more stable integrated, which remain unloved despite improving fundamentals.

In the consumer staples sector, stock selection and an underweight allocation curbed relative performance. More broadly, we believe the staples sector has traded at a premium valuation despite low margins, fierce competition and poor pricing power, making value opportunities highly specific and idiosyncratic.

Security selection in the industrials sector hurt relative results. Within the sector, shares of Hong Kong-based CK Hutchison, a non-property conglomerate, were weak reflecting concerns about Brexit, US-China trade tensions and a short-seller's report on the firm's accounting practices. However, we like the company's portfolio of quality businesses, and with roughly 75% of its NAV (net asset value) coming from stable cash cows such as ports, infrastructure and telecoms, we see it as a relatively defensive (albeit low-growth) company.

Report of the Investment Managers (continued)

Fund Performance (continued)

Turning to contributors, electric smart meter firm Landis + Gyr, King Yuan Electronics and NXP Semiconductors supported relative performance in the information technology sector. Landis & Gyr is one of the world's largest manufacturers of smart meters for residential, commercial and industrial use. Order flow continues to be positive as government programmes encourage the adoption of smart meters.

King Yuan Electronics conducts testing for the semiconductor industry. It is the second-largest outsourcing IC (integrated circuit) testing supplier in the world. We believe the market has overlooked King Yuan's diversified customer base, which enables the company to potentially benefit from the outsourcing trend in testing and packaging services.

NXP, the amalgamation of the former semiconductor divisions of Philips and Motorola, is a leading manufacturer of semiconductors and sensors for radio, power and audio applications. The stock performed well in the third quarter of 2019 after earnings beat expectations due to share gains in NXP's automotive business, and the earnings beat stood out as many of NXP's peers struggled. NXP continues to offer long-term value potential, but its share price is dependent on macro factors in the near term.

Elsewhere, Canadian firm Wheaton Precious Metals was the leading contributor to relative results for the period. Wheaton is a precious metals streaming company with approximately 55% exposure to silver and 45% to gold. Wheaton's current portfolio has continued to offer attractive growth opportunities, and its strong balance sheet allows for selective M&A (merger and acquisition) and/or new stream activities.

Geographically, security selection in Asia, the United States and Europe impaired relative performance. In contrast, at the country level, stock selection in Taiwan, along with a lone holding in Ireland and an overweight allocation in Denmark, lifted relative results.

Outlook

Global equities finished the month at all-time highs, supported by continued accommodation from politicians and central bankers. Though fundamentals generally failed to materially improve, investors seem to have become more sanguine about a potential rebound in weak global economic conditions, a possible easing of US-China trade tensions and the delayed Brexit reckoning following another deadline extension.

Yet risks remain. Parts of the corporate credit markets look vulnerable, complacency is evident in various sentiment and positioning indicators, and certain segments of the equity markets (namely US growth and quality stocks) seem unsustainably expensive, in our view.

Financial repression and easy money appear to have papered over systemic risks that will likely become more evident should global growth slow materially (leading to credit events) or accelerate meaningfully (leading to higher interest rates). In this environment, we continue to focus on companies with what we view as sound fundamentals and low valuations that offer a combination of downside support and upside potential.

Turning to the Sukuk market, the US Fed's shift from a cycle of interest-rate hikes to rate cuts has continued to support "risk" assets and caused benchmark rates to decline materially from their peaks. In October, the Fed bolstered its moves to loosen monetary policy by unveiling its latest balance-sheet expansion plans.

The three recent cuts made by the Fed are notably similar to mid-cycle loosening moves made by Fed policy makers in 1995 and 1998, almost as a form of insurance, as price pressures eased following a spell of rate hikes. The interest-rate trajectory from here likely will depend on whether the economy follows a similar path to the periods that followed the aforementioned cuts, when the loosening of monetary conditions helped spur rebounds, notably in manufacturing.

That said, we remain concerned about the short-term outlook and the recent declines in some leading economic indicators. We have reduced non-US dollar exposure as a precaution against tail risks, as investors wait to see the impact that new US-China trade tariffs have on growth and inflation. We have also raised cash levels and increased portfolio credit quality, because valuations are less attractive to us after a strong third quarter and the return of issuance in the fourth quarter.

THE INVESTMENT MANAGERS

November 2019



Audit report

To the Shareholders of
Franklin Templeton Shariah Funds

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Franklin Templeton Shariah Funds (the "Fund") and of each of its sub-funds as at 31 October 2019, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

What we have audited

The Fund's financial statements comprise:

- the statement of net assets as at 31 October 2019;
- the schedule of investments as at 31 October 2019;
- the statement of operations and changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund and those charged with governance for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or close any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund;
- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 31 January 2020

Emmanuel Chataignier

Fund Performance

Percentage Change to October 31, 2019

	Reference Share Class	Launch Date	6 Months %	1 Year %	3 Years %	5 Years %	Since Launch %
Franklin Global Sukuk Fund	A (acc) USD	10 Sep 12	5.6	11.8	13.3	14.1	23.6
Templeton Shariah Global Equity Fund	A (acc) USD	10 Sep 12	(2.1)	(1.0)	11.6	6.9	22.9

The Fund Performance disclosed in this table is the performance of the reference share class in base currency of the Fund.

Information on other share classes is available on request. This report shall not constitute an offer or a solicitation of an offer to buy shares. Subscriptions are to be made on the basis of the current prospectus and its addendum as the case may be, where available the relevant Key Investor Information Documents (“KIIDs”), a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report. The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested. Past performance is no guarantee of future performance. Currency fluctuations may affect the value of investments.

The investment activities will be undertaken in accordance with the Shariah Guidelines. As a consequence, the performance of a fund may possibly be lower than other investment funds that do not seek to strictly adhere to the Islamic investment criteria. The requirement to “purify” cash holdings or dividend income will likely result in payments being made to charities. The return to investors will be reduced by the amount of such payments.

Data source: Performance – Franklin Templeton

Statement of Net Assets

at October 31, 2019

	TOTAL (USD)	Franklin Global Sukuk Fund (USD)	Templeton Shariah Global Equity Fund (USD)
ASSETS			
Investment in securities at market value (note 2(b))	229,605,592	154,760,329	74,845,263
Cash	12,689,400	10,270,777	2,418,623
Amounts receivable on sale of investments	2,883,822	866,599	2,017,223
Amounts receivable on subscriptions	2,242,658	2,028,932	213,726
Profit payments on Sukuk and dividends receivable, net	1,439,639	1,324,781	114,858
Unrealised profit on Shariah compliant forward foreign exchange contracts (note 2(f), 15)	1,156	1,156	-
Other receivables	67,598	21,219	46,379
TOTAL ASSETS	248,929,865	169,273,793	79,656,072
LIABILITIES			
Amounts payable on purchases of investments	1,863,320	-	1,863,320
Amounts payable on redemptions	1,180,639	1,124,132	56,507
Investment management fees payable (note 4)	185,845	123,055	62,790
Payable to charity	1,728	-	1,728
Taxes and expenses payable	297,226	187,330	109,896
TOTAL LIABILITIES	3,528,758	1,434,517	2,094,241
TOTAL NET ASSETS	245,401,107	167,839,276	77,561,831
THREE YEAR ASSET SUMMARY			
October 31, 2018	225,319,834	141,168,336	84,151,498
October 31, 2017	220,250,572	128,882,926	86,301,235
October 31, 2016	181,359,989	105,133,970	72,672,057

Statement of Operations and Changes in Net Assets

For the Year ended October 31, 2019

	TOTAL (USD)	Franklin Global Sukuk Fund (USD)	Templeton Shariah Global Equity Fund (USD)
NET ASSETS AT THE BEGINNING OF THE YEAR	225,319,834	141,168,336	84,151,498
INCOME			
Dividends (net of withholding taxes) (note 2(c))	2,353,983	-	2,353,983
Profit payments on Sukuk (net of withholding taxes) (note 2(c))	7,023,668	7,023,668	-
Sundry income	2,871	-	2,871
TOTAL INCOME	9,380,522	7,023,668	2,356,854
EXPENSES			
Investment management fees (note 4)	2,065,847	1,290,395	775,452
Administration and transfer agency fees	511,477	334,595	176,882
Depository fees	172,781	98,740	74,041
Directors fees	17,186	11,437	5,749
Audit fees	45,220	24,925	20,295
Printing and publishing expenses	102,921	68,659	34,262
Shariah Compliance Fees	148,777	70,212	78,565
Subscription tax (note 6)	124,478	78,107	46,371
Class A (dis) and Class A (acc) shares' maintenance charges (note 3)	415,889	267,149	148,740
Class AS (acc) shares' maintenance charges (note 3)	166,216	-	166,216
Class N (acc) shares' maintenance charges (note 3)	65	65	-
Other Charges (note 7)	207,931	140,433	67,498
TOTAL EXPENSES	3,978,788	2,384,717	1,594,071
Expenses reimbursement (note 8)	(722,045)	(514,064)	(207,981)
NET EXPENSES	3,256,743	1,870,653	1,386,090
NET PROFIT/(LOSS) FROM INVESTMENTS	6,123,779	5,153,015	970,764
Net realised profit/(loss) on sale of investments	337,453	1,027,488	(690,035)
Net realised profit/(loss) on Shariah compliant forward foreign exchange contracts	(10,140)	(10,140)	-
Net realised profit/(loss) on foreign exchange transactions	45,078	56,809	(11,731)
NET REALISED PROFIT/(LOSS) FOR THE YEAR	6,496,170	6,227,172	268,998
Change in net unrealised appreciation/(depreciation) on:			
Investments	9,581,655	10,580,952	(999,297)
Shariah compliant forward foreign exchange contracts	3,982	3,982	-
Foreign exchange transactions	5,509	413	5,096
Capital gains tax	(954)	(954)	-
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	16,086,362	16,811,565	(725,203)
DONATIONS TO CHARITY			
Purification of non-Shariah compliant dividends (note 10)	(20,730)	-	(20,730)
Purification of net realised profit on non-Shariah compliant profit (note 10)	(64,307)	-	(64,307)
NET DECREASE IN NET ASSETS AS A RESULT OF DONATIONS TO CHARITY	(85,037)	-	(85,037)
MOVEMENT OF CAPITAL			
Issue of shares	116,013,405	103,059,771	12,953,634
Redemption of shares	(105,223,510)	(87,027,625)	(18,195,885)
Equalisation (note 17)	316,078	377,788	(61,710)
Dividends paid/accumulated (note 11)	11,105,973	16,409,934	(5,303,961)
	(7,026,025)	(6,550,559)	(475,466)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL	4,079,948	9,859,375	(5,779,427)
NET ASSETS AT THE END OF THE YEAR	245,401,107	167,839,276	77,561,831
Portfolio Turnover Ratio (note 14)		2.88%	32.58%

Statistical Information

	Total Expense Ratio October 31, 2019 (see note 9)	Shares Outstanding October 31, 2019	Net Asset Value per Share		
			October 31, 2019	October 31, 2018	October 31, 2017
Franklin Global Sukuk Fund - USD					
A (acc) EUR	1.50%	106,809.557	13.42	11.83	11.89
A (acc) USD	1.50%	4,397,944.171	12.36	11.06	11.43
A (Mdis) SGD	1.50%	1,990,292.413	9.99	9.54	10.14
A (Mdis) USD	1.50%	4,569,116.913	9.48	8.89	9.60
I (acc) USD	0.89%	2,093,133.560	12.76	11.35	11.69
N (acc) EUR	2.45%	389.772	12.56	11.19	11.37
W (Acc) USD*	0.90%	500.000	11.01	-	-
W (Qdis) EUR-H1	0.90%	13,593.020	9.15	8.80	9.70
W (Qdis) USD	0.90%	2,141,760.088	9.65	9.00	9.66
X (Qdis) USD	0.37%	645,640.344	9.99	9.27	9.89
Templeton Shariah Global Equity Fund - USD					
A (acc) SGD	1.90%	302,030.478	12.68	13.05	13.39
A (acc) USD	1.90%	2,263,032.971	12.29	12.41	12.95
AS (acc) SGD	1.75%	5,016,206.935	11.07	11.37	11.66
I (acc) USD	1.05%	466,529.983	13.08	13.09	13.55
X (Ydis) USD	0.35%	500.000	10.32	10.48	10.95

*This share class was launched on January 23, 2019

Notes to the Financial Statements

at October 31, 2019

Note 1 — The Company

Franklin Templeton Shariah Funds (“FTSF” or the “Company”) is a collective investment undertaking pursuant to Part I of the amended Luxembourg law of December 17, 2010 on undertakings for collective investment and qualifies as a *société d'investissement à capital variable*. The Company was incorporated in Luxembourg on July 3, 2012, for an undetermined period. At the date of this report, it offers shares in 2 sub-funds of the Company (the “Funds”). The Board of Directors of the Company may authorise the creation of additional Funds in future with different investment objectives.

The Company aims to provide Investors with a choice of Funds which invest in a wide range of Shariah-compliant transferable securities and other Shariah-compliant eligible assets on a worldwide basis and which feature a diverse array of investment objectives including capital growth and income. The overall objective of the Company is to seek to minimise investment risk exposure through diversification and to provide Investors with the benefit of a portfolio managed by entities of Franklin Templeton according to its successful time-tested investment selection methods.

Fund closure: the liquidation of Templeton Shariah Asian Growth Fund which closed on December 12, 2017 is completed and cash account was closed on May 7, 2019.

Note 2 — Significant accounting policies

(a) General

The financial statements are prepared in accordance with the regulations of the Grand Duchy of Luxembourg relating to investment funds.

(b) Investment in securities

Securities which are listed on a stock exchange or traded on any other organised market are valued at the last available price on such exchange or market which is normally the principal market for each security, and those securities dealt in on an over-the-counter market are valued in a manner as near as possible to that for quoted securities.

Securities not listed on any stock exchange nor traded on any organised market are valued at the last available price, or if such price is not representative of their fair value, they are valued prudently and in good faith on the basis of their reasonably foreseeable sales prices.

The Company has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. In such circumstances, the price of such investment shall be adjusted in accordance with the procedures adopted, as determined by or under the direction of the Board of Directors.

During the accounting year under review, gains and losses on investment securities sold were computed on the average cost basis for all Funds. During the accounting year under review, discounts and premiums were amortised to income over the period to maturity, or date sold, if earlier.

(c) Income

Dividends are credited to income on their ex-dividend date. Profit payments (including profit payments on Sukuk) are accrued on a daily basis.

(d) Formation expenses

Formation expenses associated with the launch of the new Funds are expensed as incurred and are disclosed in “Other charges” in the Statement of Operations and Changes in Net Assets.

(e) Foreign exchange transactions

Transactions expressed in currencies other than each Fund’s currency are translated into each Fund’s currency at the exchange rates applicable on the transaction dates.

Assets and liabilities designated in currencies other than each Fund’s currency are translated into each Fund’s currency at the appropriate exchange rates ruling at the period-end. Gains and losses on foreign exchange transactions are recognised in the “Statement of Operations and Changes in Net Assets” in determining the results for the accounting year.

The reference currency of the Company as reflected in the financial statements is U.S. dollar. The principal exchange rates applied as at October 31, 2019 are as follows:

Exchange Rate	U.S. dollar
Euro	0.8966
Singapore dollar	1.3603

(f) Shariah compliant forward foreign exchange contracts

Shariah compliant forward foreign exchange contracts are valued at the foreign exchange currency rate applicable at the “Statement of Net Assets” date for the remaining period, until maturity. Gains or losses resulting from Shariah compliant forward exchange contracts are recognised in the “Statement of Operations and Changes in Net Assets”.

(g) Swing pricing

A Fund may suffer dilution of the net asset value per share due to investors buying or selling shares in a Fund at a price that does not reflect dealing and other costs that arise when security trades are undertaken by the Investment Manager to accommodate cash inflows or outflows.

In order to counter this impact, a swing pricing mechanism may be adopted to protect the interests of Shareholders of the Fund. If on any valuation date, the aggregate net capital activity of a Fund exceeds a pre-determined threshold, as determined and reviewed for each Fund on a periodic basis, the net asset value per share will be adjusted upwards or downwards to reflect net capital inflows or net capital outflows respectively.

The net capital inflows and net capital outflows will be determined based on the latest available information at the time of calculation of the net asset value per share. The swing pricing mechanism may be applied across all Funds. The extent of the price adjustment is set to reflect dealing and other costs. Such adjustment may vary from Fund to Fund and will not exceed 2% of the original net asset value per share.

Notes to the Financial Statements (continued)

at October 31, 2019

Note 2 — Significant accounting policies (continued)

(g) Swing pricing (continued)

In the case of a swing pricing event on the last day of the annual/semi-annual period, the net assets as disclosed in the “Statement of Net Assets”, exclude the swing pricing adjustment, however, the net asset value per share as at year/semi-annual period end, as disclosed in the Statistical Information, would include the swing pricing adjustment.

During the year ended October 31, 2019, swing pricing adjustments affected the net asset value per share of Franklin Global Sukuk Fund. There was no swing pricing adjustment affecting the Funds’ net asset value per share on the last day of the year.

Note 3 — Share classes

Class A shares: are offered at the applicable net asset value, plus an entry charge of up to 5.75% of the total amount invested varying per asset class. In addition, a maintenance charge of up to 0.50% per annum of the applicable average net asset value is deducted and paid to the Principal Distributor. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor. A contingent deferred sales charge of up to 1%, retained by the Principal Distributor, applies to certain redemptions on qualified investments of USD 1 million or more within 18 months after repurchase.

Class AS shares: are offered in Singapore to CPF Investors as more fully described in the current prospectus of the Company. Class AS shares are offered at the applicable net asset value, plus an entry charge of up to 3% of the total amount invested until September 30, 2018. With effect from October 1, 2018, the entry charge is up to 1.50% and 0% from October 1, 2019. In addition, a maintenance charge of up to 0.40% per annum of the applicable average net asset value is deducted and paid to the Principal Distributor. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

Class I shares: are offered to institutional investors as more fully described in the current prospectus of the Company. Purchases of Class I shares are not subject to an entry charge, nor a contingent deferred sales charge or any maintenance or servicing charges.

Class N shares: are subject to an entry charge of up to 3% of the total amount invested. In addition, a maintenance charge of up to 1.25% per annum of the applicable average net asset value is accrued daily and is deducted and paid monthly to the Principal Distributor. Class N shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class W shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance or servicing charge. Class W shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class X shares: are not subject to an entry charge and no management fees will be payable by an investor on the acquisition of Class X shares (instead a fee is paid to the Investment Manager or affiliates under an agreement between the Investment Manager and the investor). Class X shares are offered to institutional investors in certain limited circumstances as more fully described in the current prospectus of the Company.

Distributing shares: may have different frequencies. (Mdis) share classes distribute monthly, (Qdis) share classes distribute quarterly and (Ydis) share classes distribute annually.

Accumulating shares (acc): do not distribute any dividends but the income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as those which apply to distributing share classes.

Hedged share classes: in order to reduce exchange rate fluctuations and return fluctuations, the Company offers H1 classes. The base currency exposure of the hedged share class is hedged into a specified alternative currency.

Note 4 — Investment management fees

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum (as detailed below) of each Fund’s average daily net assets during the accounting year. The following percentages apply in respect of the different Funds as at October 31, 2019.

The Investment Managers, as noted on page 4, will be remunerated by the Management Company out of the investment management fee received from the Company.

	Class A, AS, N	Class I	Class W
Franklin Global Sukuk Fund	1.00%	0.70%	0.70%
Templeton Shariah Global Equity Fund	1.00%	0.70%	N/A

No management fee is payable by an investor on the acquisition of Class X shares, instead a fee is paid to the Investment Manager or affiliates under a separate agreement.

Note 5 — Connected party transactions

Certain Directors of the Company are or may also be Officers and/or Directors of the Registrar and Transfer, Corporate, Domiciliary and Administrative Agent, Franklin Templeton International Services S.à r.l. All transactions with connected parties were entered into in the ordinary course of business and under normal commercial terms.

The investment management fees that are accrued by the Company in respect of the Management Company are detailed in note 4 to the financial statements.

There are no connected brokers in Franklin Templeton, and no transactions were entered into with connected brokers during the year ended October 31, 2019.

The Company accrued fees in respect of Franklin Templeton International Services S.à r.l. as the Management Company and as the Principal Distributor of the Funds.

Notes to the Financial Statements (continued)

at October 31, 2019

Note 6 — Taxation

The Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income.

The Company, however, is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum of its NAV, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax.

Class I Shares and Class X Shares may qualify for the reduced tax rate of 0.01% if all the investors of these Share Classes are respectively Institutional Investors. No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of the Shares in the Company. Under current laws and practice, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws. Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin at varying rates. The Company may benefit in certain circumstances from double taxation treaties which the Grand Duchy of Luxembourg has concluded with other countries.

Note 7 — Other charges analysis

The breakdown of the other charges is as follows:

	Total	Franklin Global Sukuk Fund	Templeton Shariah Global Equity Fund
	(USD)	(USD)	(USD)
Legal fees	40,329	27,485	12,844
Miscellaneous expenses	51,408	34,864	16,544
Paying agent	57,658	39,332	18,326
Registration and filing fees	35,585	24,268	11,317
Tax fees	22,951	14,484	8,467
	207,931	140,433	67,498

Note 8 — Expenses reimbursement

On a daily basis, for share classes where the expenses are capped, the level of expenses is calculated and compared to the cap and where the level of expenses is higher than the cap, this difference is booked as a decrease of expense (the "waiver fees"). On a monthly basis the waiver fees are deducted from the fees received by Franklin Templeton International Services S.à r.l.

The amount of waiver fees is disclosed as "Expenses reimbursement" in the "Statement of Operations and Changes in Net Assets".

Note 9 — Total expense ratio

The Total Expense Ratio ("TER"), expressed as a percentage, represents how the total expenses of each share class relates to the average net assets of each share class for the year ended October 31, 2019. The total expenses comprise the investment management fees, the administration and transfer agency fees, the depositary fees and other expenses as summarised in the "Statement of Operations and Changes in Net Assets". For share classes launched during the year, the TER is annualised.

Note 10 — Purification of non-Shariah compliant income

The Shariah Supervisory Board from time to time issues guidelines to quantify the annual amount of income of a Fund that should be donated to charity, being derived from eligible securities for investment pursuant to the investment objective, policy and restrictions set out in the prospectus, but that are engaged in an activity or activities of a marginal nature which are not Shariah-compliant and which are not screened out by the Shariah restrictions. Such amount is calculated on each relevant transaction, based on the purification ratios, expressed as a percentage of each target company's dividend payments. The resulting amount is donated to a charity. Any such amounts are deducted only upon their actual determination and no anticipated accrual thereof is made.

For the year ended October 31, 2019, this amount was donated to the United Kingdom Committee for the United Nations Children's Fund (UNICEF).

Notes to the Financial Statements (continued)

at October 31, 2019

Note 11 — Dividends distributed

For the year ended October 31, 2019, the following amounts per share were paid out to distribution class shareholders.

Accumulated dividends have not been paid out and are reflected as an increase in the "Issue of shares" account in the "Statement of Operations and Changes in Net Assets".

	Nov-2018	Annual Nov-2018	Dec-2018	Jan-2019	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019
Franklin Global Sukuk Fund													
A (Mdis) SGD	0.039		0.039	0.039	0.038	0.038	0.038	0.039	0.037	0.038	0.038	0.037	0.033
A (Mdis) USD	0.036		0.037	0.036	0.037	0.036	0.036	0.037	0.035	0.036	0.036	0.034	0.031
W (Qdis) EUR-H1	0.110				0.106			0.109			0.106		
W (Qdis) USD	0.107				0.111			0.110			0.108		
X (Qdis) USD	0.110				0.114			0.114			0.112		
Templeton Shariah Global Equity Fund													
X (Ydis) USD		0.212											

Note 12 — Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, brokers and dealers. During the year ended October 31, 2019 the Company incurred the following transaction costs:

Fund	Currency	Amount
Franklin Global Sukuk Fund	USD	-
Templeton Shariah Global Equity Fund	USD	42,282

*For Sukuk, transaction costs are not separately identifiable from the purchase price of the security and therefore cannot be disclosed separately.

Note 13 — Soft commission

Consistent with obtaining best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to broker-dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such broker-dealers.

The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the views and information of individuals and research staffs of other firms.

Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid for directly by the Investment Managers.

Note 14 — Portfolio Turnover Ratio

The portfolio turnover ratio, expressed as a percentage, is equal to the total of purchases and sales of securities netted against the total of subscriptions and redemptions, over average net assets of the Fund for a year. It is effectively a measure of how frequently a Fund buys or sells securities.

Note 15 — Shariah compliant forward foreign exchange contracts

As at October 31, 2019, the Company had entered the following outstanding contracts:

Franklin Global Sukuk Fund

Purchases	Sales	Maturity Date	Unrealised profit/(loss) USD
Shariah compliant forward foreign exchange contracts used for share class hedging:			
EUR	123,597	USD	136,825
			15-Nov-19
			<u>1,156</u>

The above contracts were opened with the following counterparties:

JPMorgan	763
Standard Chartered	393
	<u>1,156</u>

Note 16 — Statement of changes in the investment portfolio

A list, specifying for each Fund total purchases and sales transacted during the year under review, may be obtained, upon request, at the registered office of the Company.

Notes to the Financial Statements (continued)

at October 31, 2019

Note 17 — Equalisation

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issue and costs of redemption of shares, equivalent on a per share basis to the amount of undistributed investment income on the date of the transaction, is credited or charged to undistributed income which is disclosed as equalisation in the “Statement of Operations and Changes in Net Assets”. As a result, undistributed investment income per share is unaffected by sales or redemptions of shares.

Note 18 — Audited annual reports and unaudited semi-annual reports

The audited annual reports and unaudited semi-annual reports are available on the following Franklin Templeton website, www.franklintempleton.lu, or may be obtained, free of charge, on request at the registered office of the Company. They are only distributed to registered Shareholders in those countries where local regulation so requires.

Note 19 — Abbreviations

Countries

ARE United Arab Emirates	DNK Denmark	JPN Japan	QAT Qatar
BEL Belgium	FRA France	KOR South Korea	SAU Saudi Arabia
BHR Bahrain	GBR United Kingdom	KWT Kuwait	SGP Singapore
CAN Canada	HKG Hong Kong	MYS Malaysia	SP Supranational
CHE Switzerland	IDN Indonesia	NGA Nigeria	TUR Turkey
CHN China	IRL Ireland	NOR Norway	TWN Taiwan
DEU Germany	ITA Italy	PAK Pakistan	USA United States

Currencies

CAD Canadian Dollar	GBP British Pound Sterling	NGN Nigerian Naira	USD US Dollar
CHF Swiss Franc	HKD Hong Kong Dollar	NOK Norwegian Krone	
DKK Danish Krone	JPY Japanese Yen	SGD Singapore Dollar	
EUR Euro	KRW South Korean Won	TWD New Taiwan Dollar	

Schedule of Investments

As of October 31, 2019

Franklin Global Sukuk Fund

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	SUKUK				
	Corporate Sukuk				
4,670,000	QIB Sukuk Ltd., senior note, Reg S, 3.982%, 03/26/24	QAT	USD	4,894,557	2.92
3,935,000	Saudi Electricity Global Sukuk Co. 3, senior bond, Reg S, 5.50%, 04/08/44	SAU	USD	4,737,760	2.82
4,140,000	Saudi Electricity Global Sukuk Co. 2, senior bond, Reg S, 5.06%, 04/08/43	SAU	USD	4,717,716	2.81
4,465,000	Equate Sukuk SPC Ltd., senior note, Reg S, 3.944%, 02/21/24	KWT	USD	4,643,578	2.77
4,185,000	ESIC Sukuk Ltd., senior note, Reg S, 3.939%, 07/30/24	ARE	USD	4,186,097	2.49
3,690,000	Aldar Sukuk Ltd., senior note, Reg S, 4.75%, 09/29/25	ARE	USD	3,969,001	2.36
3,310,000	QIIB Senior Sukuk Ltd., senior note, Reg S, 4.264%, 03/05/24	QAT	USD	3,485,496	2.08
2,990,000	IDB Trust Services Ltd., senior note, Reg S, 0.554%, 11/07/23	SP	EUR	3,420,750	2.04
3,025,000	Tabreed Sukuk SPC Ltd., senior note, Reg S, 5.50%, 10/31/25	ARE	USD	3,399,344	2.02
3,000,000	ICD Sukuk Co. Ltd., senior note, Reg S, 5.00%, 02/01/27	ARE	USD	3,155,700	1.88
2,965,000	MAF Sukuk Ltd., senior note, Reg S, 4.50%, 11/03/25	ARE	USD	3,132,063	1.86
2,900,000	Saudi Telecom Co., senior note, Reg S, 3.89%, 05/13/29	SAU	USD	3,113,875	1.85
3,000,000	Virgin Mobile Middle East & Africa Sukuk Ltd., cvt., secured note, 12.00%, 03/31/23	ARE	USD	3,060,000	1.82
2,750,000	DP World Crescent Ltd., senior note, Reg S, 3.875%, 07/18/29	ARE	USD	2,798,661	1.67
2,725,000	Unity 1 Sukuk Ltd., senior note, Reg S, 3.86%, 11/30/21	ARE	USD	2,783,383	1.66
2,525,000	DP World Crescent Ltd., senior note, Reg S, 4.848%, 09/26/28	ARE	USD	2,764,837	1.65
2,375,000	MAF Sukuk Ltd., senior note, Reg S, 4.638%, 05/14/29	ARE	USD	2,531,999	1.51
2,560,000	Dar Al-Arkan Sukuk Co. Ltd., Reg S, 6.75%, 02/15/25	SAU	USD	2,499,328	1.49
2,445,000	Warba Sukuk Ltd., senior note, Reg S, 2.982%, 09/24/24	KWT	USD	2,456,724	1.46
2,325,000	Mumtalakat Sukuk Holding Co., senior note, Reg S, 5.625%, 02/27/24	BHR	USD	2,415,384	1.44
2,085,000	DIFC Sukuk Ltd., senior note, Reg S, 4.325%, 11/12/24	ARE	USD	2,197,642	1.31
1,950,000	Saudi Electricity Co., senior note, Reg S, 4.723%, 09/27/28	SAU	USD	2,186,330	1.30
1,985,000	Alpha Star Holding III Ltd., senior note, Reg S, 6.25%, 04/20/22	ARE	USD	1,898,027	1.13
1,690,000	Noor Sukuk Co. Ltd., senior note, Reg S, 4.471%, 04/24/23	ARE	USD	1,781,108	1.06
1,600,000	Senaat Sukuk Ltd., senior note, Reg S, 4.76%, 12/05/25	ARE	USD	1,740,000	1.04
1,410,000	Alpha Star Holding V Ltd., senior note, Reg S, 6.625%, 04/18/23	ARE	USD	1,330,955	0.79
1,225,000	SIB Sukuk Co. III Ltd., senior note, Reg S, 4.231%, 04/18/23	ARE	USD	1,288,143	0.77
1,000,000	DIB Sukuk Co. Ltd., senior note, Reg S, 3.664%, 02/14/22	ARE	USD	1,019,725	0.61
8,820,000	Asya Sukuk Co. Ltd., sub. note, Reg S, 0.00%, 03/28/23 *	TUR	USD	1,014,300	0.60
900,000	Boubyan Tier 1 Capital SPC Ltd., sub. bond, Reg S, 6.75% to 05/16/21, FRN thereafter, Perpetual	KWT	USD	937,017	0.56
810,000	NMC Healthcare Sukuk Ltd., senior note, Reg S, 5.95%, 11/21/23	ARE	USD	867,575	0.52
850,000	DP World Crescent Ltd., senior bond, Reg S, 3.749%, 01/30/30	ARE	USD	852,835	0.51
790,000	Dar Al-Arkan Sukuk Co. Ltd., senior note, Reg S, 6.875%, 03/21/23	SAU	USD	782,333	0.47
775,000	Aldar Sukuk Ltd., senior note, Reg S, 3.875%, 10/22/29	ARE	USD	776,008	0.46
690,000	Ezdan Sukuk Co. Ltd., senior note, Reg S, 4.375%, 05/18/21	QAT	USD	617,067	0.37
521,226	Khadrawy Ltd., senior note, Reg S, 2.471%, 03/31/25	GBR	USD	514,711	0.31
				87,970,029	52.41
	Government and Municipal Sukuk				
8,545,000	Perusahaan Penerbit SBSN Indonesia III, senior note, Reg S, 4.40%, 03/01/28	IDN	USD	9,330,926	5.56
5,075,000	Perusahaan Penerbit SBSN Indonesia III, Reg S, 4.55%, 03/29/26	IDN	USD	5,542,484	3.30
4,815,000	KSA Sukuk Ltd., senior note, Reg S, 3.628%, 04/20/27	SAU	USD	5,067,787	3.02
4,400,000	Perusahaan Penerbit SBSN Indonesia III, senior note, Reg S, 4.325%, 05/28/25	IDN	USD	4,724,500	2.81
3,800,000	Perusahaan Penerbit SBSN Indonesia III, Reg S, 4.15%, 03/29/27	IDN	USD	4,075,500	2.43
3,350,000	KSA Sukuk Ltd., senior bond, Reg S, 4.303%, 01/19/29	SAU	USD	3,725,116	2.22
3,450,000	Hong Kong Sukuk 2017 Ltd., senior note, Reg S, 3.132%, 02/28/27	HKG	USD	3,611,029	2.15
3,435,000	CBB International Sukuk Co. SPC, senior note, Reg S, 4.50%, 03/30/27	BHR	USD	3,552,065	2.12
2,400,000	Malaysia Sukuk Global Bhd., Reg S, 4.08%, 04/27/46	MYS	USD	2,881,276	1.72
850,000,000	FGN Roads Sukuk Co. 1 PLC, senior note, 16.47%, 09/26/24	NGA	NGN	2,701,932	1.61
1,800,000	Sharjah Sukuk Programme Ltd., senior note, Reg S, 4.226%, 03/14/28	ARE	USD	1,956,546	1.17
1,925,000	KSA Sukuk Ltd., senior note, Reg S, 2.969%, 10/29/29	SAU	USD	1,921,198	1.14
1,750,000	Perusahaan Penerbit SBSN Indonesia III, senior note, Reg S, 3.90%, 08/20/24	IDN	USD	1,849,295	1.10
1,550,000	Malaysia Sovereign Sukuk Bhd., Reg S, 3.043%, 04/22/25	MYS	USD	1,605,490	0.96
1,300,000	RAK Capital, senior note, Reg S, 3.094%, 03/31/25	ARE	USD	1,311,479	0.78
790,000	KSA Sukuk Ltd., senior note, Reg S, 2.894%, 04/20/22	SAU	USD	802,352	0.48
				54,658,975	32.57

The accompanying notes form an integral part of these financial statements

Schedule of Investments (continued)

As of October 31, 2019

Franklin Global Sukuk Fund

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Securities Maturing Within One Year					
4,525,000	Second Pakistan International Sukuk Co. Ltd., senior note, Reg S, 6.75%, 12/03/19	PAK	USD	4,535,566	2.70
4,240,000	Nile Delta Sukuk Ltd., first lien, Reg S, 4.00%, 10/31/20	ARE	USD	4,130,481	2.46
1,860,000	International Islamic Liquidity Management 2 SA, senior secured note, Reg S, 2.30%, 11/12/19	SP	USD	1,860,140	1.11
1,595,000	AFC Sukuk Co., senior note, Reg S, FRN, 4.181%, 01/24/20 †	SP	USD	1,605,138	0.96
				12,131,325	7.23
	TOTAL SUKUK			154,760,329	92.21
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			154,760,329	92.21
	TOTAL INVESTMENTS			154,760,329	92.21

* This Sukuk is currently in default

† Floating Rates are indicated as at October 31, 2019

The accompanying notes form an integral part of these financial statements

Schedule of Investments

As of October 31, 2019

Templeton Shariah Global Equity Fund

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				
	SHARES				
	Air Freight & Logistics				
490,500	Kerry Logistics Network Ltd.	CHN	HKD	783,618	1.01
	Auto Components				
7,168	Cie Generale des Etablissements Michelin SCA	FRA	EUR	872,197	1.13
	Automobiles				
672,000	Brilliance China Automotive Holdings Ltd.	CHN	HKD	744,304	0.96
	Beverages				
18,800	Suntory Beverage & Food Ltd.	JPN	JPY	804,334	1.04
	Biotechnology				
8,190	BioMarin Pharmaceutical Inc.	USA	USD	599,590	0.77
	Building Products				
31,125	Compagnie de Saint-Gobain	FRA	EUR	1,266,009	1.63
46,900	Bunka Shutter Co. Ltd.	JPN	JPY	409,563	0.53
				1,675,572	2.16
	Chemicals				
4,650	Lotte Chemical Corp.	KOR	KRW	902,118	1.16
2,993	LG Chem Ltd.	KOR	KRW	786,568	1.02
19,158	Yara International ASA	NOR	NOK	745,604	0.96
6,400	LyondellBasell Industries NV, A	USA	USD	574,080	0.74
13,233	Johnson Matthey PLC	GBR	GBP	526,280	0.68
				3,534,650	4.56
	Construction Materials				
16,106	CRH PLC	IRL	EUR	587,032	0.76
	Containers & Packaging				
991,000	Greatview Aseptic Packaging Co. Ltd.	CHN	HKD	499,496	0.64
	Diversified Telecommunication Services				
523,900	Singapore Telecommunications Ltd.	SGP	SGD	1,270,994	1.64
2,512,000	China Telecom Corp. Ltd., H	CHN	HKD	1,070,600	1.38
326,737	Telefonica Deutschland Holding AG	DEU	EUR	1,036,746	1.34
				3,378,340	4.36
	Electrical Equipment				
13,221	Vestas Wind Systems AS	DNK	DKK	1,079,161	1.39
310,279	Johnson Electric Holdings Ltd.	HKG	HKD	567,757	0.73
				1,646,918	2.12
	Electronic Equipment, Instruments & Components				
8,815	Landis+Gyr Group AG	CHE	CHF	817,205	1.05
	Energy Equipment & Services				
103,005	Tenaris SA	ITA	EUR	1,040,137	1.34
1,757	The Drilling Co. of 1972 AS	DNK	DKK	99,142	0.13
				1,139,279	1.47
	Food & Staples Retailing				
47,400	Matsumotokiyoshi Holdings Co. Ltd.	JPN	JPY	1,678,983	2.16
18,800	Walgreens Boots Alliance Inc.	USA	USD	1,029,864	1.33
				2,708,847	3.49
	Food Products				
37,400	Ajinomoto Co. Inc.	JPN	JPY	713,296	0.92
408,900	First Resources Ltd.	SGP	SGD	459,928	0.59
9,500	Ezaki Glico Co. Ltd.	JPN	JPY	442,515	0.57
				1,615,739	2.08
	Gas Utilities				
878,000	Kunlun Energy Co. Ltd.	CHN	HKD	818,980	1.06

The accompanying notes form an integral part of these financial statements

Schedule of Investments (continued)

As of October 31, 2019

Templeton Shariah Global Equity Fund

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Health Care Equipment & Supplies				
11,872	Draegerwerk AG & Co. KGaA	DEU	EUR	497,856	0.64
	Household Durables				
116,300	Panasonic Corp.	JPN	JPY	987,503	1.27
	Industrial Conglomerates				
150,500	CK Hutchison Holdings Ltd.	HKG	HKD	1,392,310	1.80
10,831	Siemens AG	DEU	EUR	1,248,811	1.61
				2,641,121	3.41
	Marine				
902	A.P. Moeller-Maersk AS, B	DNK	DKK	1,149,624	1.48
	Metals & Mining				
57,500	Sumitomo Metal Mining Co. Ltd.	JPN	JPY	1,946,752	2.51
45,114	Wheaton Precious Metals Corp.	CAN	CAD	1,265,180	1.63
61,693	Barrick Gold Corp.	CAN	CAD	1,072,188	1.38
				4,284,120	5.52
	Multiline Retail				
29,500	Ryohin Keikaku Co. Ltd.	JPN	JPY	662,476	0.85
	Multi-Utilities				
152,629	E.ON SE	DEU	EUR	1,538,343	1.98
	Oil, Gas & Consumable Fuels				
57,760	Exxon Mobil Corp.	USA	USD	3,902,843	5.03
108,688	Royal Dutch Shell PLC, A	GBR	GBP	3,144,061	4.05
453,934	BP PLC	GBR	GBP	2,877,323	3.71
35,211	Total SA	FRA	EUR	1,851,031	2.39
115,580	Eni SpA	ITA	EUR	1,749,260	2.26
649,000	CNOOC Ltd.	CHN	HKD	973,897	1.26
135,200	Husky Energy Inc.	CAN	CAD	944,808	1.22
31,603	Equinor ASA	NOR	NOK	584,560	0.75
				16,027,783	20.67
	Pharmaceuticals				
15,240	Allergan PLC	USA	USD	2,683,916	3.46
7,140	Roche Holding AG	CHE	CHF	2,148,261	2.77
14,900	Johnson & Johnson	USA	USD	1,967,396	2.54
16,471	Merck KGaA	DEU	EUR	1,963,764	2.53
20,943	Sanofi	FRA	EUR	1,929,816	2.49
23,220	Bayer AG	DEU	EUR	1,801,932	2.32
38,270	Pfizer Inc.	USA	USD	1,468,420	1.89
65,500	Astellas Pharma Inc.	JPN	JPY	1,127,302	1.46
12,287	Novartis AG	CHE	CHF	1,072,318	1.38
10,123	UCB SA	BEL	EUR	815,829	1.05
26,700	Tsumura & Co.	JPN	JPY	741,275	0.96
				17,720,229	22.85
	Real Estate Management & Development				
93,600	CK Asset Holdings Ltd.	HKG	HKD	653,318	0.84
	Software				
5,286	SAP SE	DEU	EUR	700,383	0.90
	Specialty Retail				
287,568	Kingfisher PLC	GBR	GBP	771,882	1.00
	Technology Hardware, Storage & Peripherals				
67,714	Samsung Electronics Co. Ltd.	KOR	KRW	2,916,711	3.76
113,000	Asustek Computer Inc.	TWN	TWD	765,241	0.99
				3,681,952	4.75

The accompanying notes form an integral part of these financial statements

Schedule of Investments (continued)

As of October 31, 2019

Templeton Shariah Global Equity Fund

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Wireless Telecommunication Services				
160,000	China Mobile Ltd.	CHN	HKD	1,302,572	1.68
	TOTAL SHARES			74,845,263	96.50
	TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING			74,845,263	96.50
	TOTAL INVESTMENTS			74,845,263	96.50

The accompanying notes form an integral part of these financial statements

Additional Information - Unaudited

Calculation Method of the Risk Exposure

The Commitment Approach* is used for measuring the Global Exposure** for:

Franklin Global Sukuk Fund

Templeton Shariah Global Equity Fund

* Commitment Approach is an approach for measuring risk or "global exposure" that factors in the market risk of the investments held in a UCITS sub-fund, including risk associated with any financial derivatives instruments held by converting the financial derivatives into equivalent positions in the underlying assets of those derivatives (sometimes referred to as "notional exposure"), after netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions.

** Global Exposure refers to a measure of the risk exposure for a UCITS sub-fund that factors in the market risk exposure of underlying investments, as well as the incremental market risk exposure and implied leverage associated with financial derivative instruments held in the portfolio.

Additional Information - Unaudited (continued)

UCITS Remuneration Disclosure

Franklin Templeton International Services S.à r.l. ("FTIS"), as UCITS licensed management company (the "Management Company") has a remuneration policy (the "Policy") in place which applies to all UCITS funds (each a "UCITS" and together the "UCITS") under its management. The Policy has been designed to discourage excessive risk taking, integrating in its performance management systems risk criteria specific to the business units it covers. The policy has a governance structure aimed at preventing internal conflicts of interest.

There are defined procedures in place for the creation, update, review and approval of the Policy as well as for communication and implementation of the Policy. Senior Management, Human Resources, Compliance and other functions are all involved in this process and the Policy is approved by Senior Management and the Board of managers of the Management Company.

Fixed remuneration is defined as base salary plus other benefits which may include pension contributions, life assurance premiums or private medical insurance premiums. Levels of fixed remuneration are set with reference to job complexity, level of responsibility, performance and market benchmarking data. These levels are reviewed on a regular basis.

Variable remuneration is defined as annual bonuses, long term awards in the form of performance share grants or sales bonus payments. Levels of variable remuneration are set with reference to overall corporate and business unit performance as well as individual performance.

The full Policy is available at the registered office of the Management Company. Quantitative information relevant to the Franklin Templeton Shariah Funds is outlined below.

Total amount of fixed remuneration paid by FTIS and its delegates during the year ended September 30, 2019,**	€32,941
Total amount of variable remuneration paid by FTIS and its delegates during the year ended September 30, 2019	€10,051
Number of staff of FTIS and in its delegates as at September 30, 2019	173
Total amount of compensation paid by FTIS and its delegates to Senior managers during the year ended September 30, 2019,**	€13,244
Total amount paid by FTIS and its delegates to other members of staff who have a material impact on the profile of AIF during year ended September 30, 2019,**	€ -

*The total amount of compensation paid by FTIS has been allocated to FTIS based on its pro rata share of the average month end total net assets of the funds under management of FTIS for the year ended September 30, 2019.

** The total amount of compensation paid by the FTIS delegates has been allocated to FTIS based on its pro rata share of the average month end total net assets of the funds under management of the FTIS delegates for the year ended September 30, 2019.

Franklin Templeton Office Directory

Further information regarding Franklin Templeton Shariah Funds is available from the following Franklin Templeton offices:

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Please note that the websites mentioned above are directed at residents within the country stated on these websites. (Please refer to the website disclaimers).



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