



FRANKLIN TEMPLETON
INVESTMENTS

**Audited
Annual Report**
October 31, 2017

Franklin Templeton Shariah Funds

SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE



FRANKLIN TEMPLETON SHARIAH FUNDS

société d'investissement à capital variable

AUDITED ANNUAL REPORT FOR THE YEAR ENDED OCTOBER 31, 2017

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, 2017)

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

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 33, Menara Binjai

No. 2, Jalan Binjai

Off Jalan Ampang

50450 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 ADVISERS, INC.

One Franklin Parkway

San Mateo, CA 94403-1906, U.S.A.

Franklin Advisers, Inc. 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 Asian Growth Fund

and Templeton Shariah Global Equity Fund.

SUB-ADVISERS:

FRANKLIN TEMPLETON INVESTMENTS (ME) LTD

Dubai International Financial Centre

P.O. Box 506613

Dubai, United Arab Emirates

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 Investments (ME) Ltd and Franklin Templeton GSC Asset

Management Sdn. Bhd. have been appointed as sub-advisers for the Franklin Global

Sukuk Fund.

DEPOSITARY BANK AND LISTING AGENT:

HSBC Bank plc, 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, 2017, total net assets of Franklin Templeton Shariah Funds (“FTSF,” or the “Company”) stood at US\$220.25 million, higher than the US\$181.36 million under management at October 31, 2016.

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, 2017.

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 2017



17 November 2017

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 2016 AND 31 OCTOBER 2017

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 calendar year ended 31 October 2017 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

REPORT OF THE INVESTMENT MANAGERS

Market Performance

Global equity markets ended the 12 months under review in positive territory. Political developments worried many investors early in the reporting period, with the election of Donald Trump as US president on a populist platform and right-wing parties making gains in Europe. However, these concerns receded as Trump faced slower-than-expected progress translating campaign promises into legislation and as relatively centrist European candidates largely prevailed. Meanwhile, increasing signs of synchronised global economic growth supported most frontier, emerging and developed equity markets. Key central banks made carefully signalled moves towards gradually withdrawing the stimulus measures put in place to address the global financial crisis. Advance estimates indicated that US third-quarter GDP showed the best back-to-back quarterly expansion since 2014. The European Commission's economic sentiment gauge for the eurozone and European Union steadily rose throughout the period, reaching its highest level since 2001 for the eurozone and the highest reading since 2007 in the European Union. China posted steady economic growth during the period, though it slowed slightly during the third quarter of 2017. The Turkish economy and stock market returned to growth in 2017 following a failed military coup in July 2016 and ongoing political developments. Amidst a leadership shakeup, Saudi Arabia maintained that it still plans the initial public offering of shares in the state oil company for late 2018; this offering might be the largest in history.

Global Sukuk markets generated solid returns for the 12 months under review. Their returns lagged those of emerging-market bonds somewhat, but they outperformed broader global bond indices such as the Barclays Global Aggregate Index. Benchmark yields rose during the review period, but Sukuk markets benefitted from tighter spreads. The relatively lower-beta Sukuk universe also benefitted from continued economic reforms in Asia, particularly in the Gulf Cooperation Council (GCC) region. GCC countries are adapting to more volatile oil prices by diversifying their economies and putting their finances on a sounder footing. Financial markets have reacted positively to these countries' gradual progress, with Saudi Arabia's entry into the conventional global bond market one of the most conspicuous outcomes.

Fund Performance

Franklin Global Sukuk Fund

Franklin Global Sukuk Fund returned 4.8%, net of fees, in the 12 months to October 31, 2017. It outperformed its benchmark, the Dow Jones Sukuk Index, which returned 3% during that time, both in US dollars. Tighter spreads boosted the Sukuk market's returns by 3.3% during the 12 months under review, but that effect was partially offset by higher benchmark yields.

On a relative basis, compared with its benchmark:

- Security selection was the main contributor to the fund's relative performance. Gains were broad-based but a rebound in Sukuk issued by Turkey's Bank Asya dominated. After last year's attempted coup, the Turkish government seized the bank and halted payments. This year, however, it resumed payments on Bank Asya's outstanding obligations.
- Curve movements also helped relative returns, due to the fund's exposure to local-currency Malaysian Sukuk.
- The fund's currency exposure was neutral, as the British pound's gains were offset by declines in the value of the Malaysian ringgit, relative to the US dollar.

Templeton Shariah Asian Growth Fund

The fund returned 16.5% in US-dollar terms during the 12 months ended October 31, 2017. The benchmark MSCI AC Asia Islamic Ex Japan Index returned 35.6%.

All sectors in the portfolio contributed to absolute performance, led by consumer discretionary, energy and materials. Shares of automotive stocks drove returns in consumer discretionary, particularly Brilliance China Automotive, which is engaged in a joint venture with German luxury car manufacturer BMW. Automakers in China benefitted from positive sentiment early in the period, after the government indicated a potential easing of restrictions on foreign ownership in the auto industry. In addition, Brilliance China saw strong volume and profit growth, supported by generally robust demand. Positions in South Korea-based automotive air-conditioning systems maker Hanon Systems and China-based car manufacturer Guangzhou Automobile Group were also amongst the top contributors in the sector. However, sector gains were curbed slightly by a position in South Korea-based automaker KIA Motors, which was one of the largest overall detractors.

Returns within the energy sector were mixed, but substantially positive overall. Notable contributors included United Tractors, an Indonesia-based company engaged in mining contracting and the supply of heavy equipment; PTT, a Thailand-based, state-controlled integrated oil and gas company; and China Shenhua Energy, China's largest coal producer. However, a few energy holdings were amongst the largest overall detractors, including PetroChina, China's leading energy producer, along with India-based oil and gas firm Reliance Industries.

A position in China-based cement producer Anhui Conch Cement helped boost returns in the materials sector, although the sector's contribution was reduced by a position in South Korea-based chemical manufacturer Huchems Fine Chemical, which fell sharply over the reporting period.

Top overall contributors for the 12-month period also included Singapore-based oil-rig builder Keppel Corporation and two South Korea-based holdings, personal care products manufacturer LG Household & Healthcare and biomedical engineering firm Hans Biomed.

No sector detracted overall, but a number of investments in the industrials sector weighed substantially on absolute returns, most notably Singapore-based land transport company ComfortDelGro, South Korea-based shipbuilder Samsung Heavy Industries, and South Korea-based property developer Hyundai Development, the latter impacted by a move towards the end of the reporting period by the South Korean government to dampen the country's property market with new tax measures.

From a country standpoint, all markets contributed to absolute returns for the reporting period. China was by far the main contributor to the fund's absolute performance, followed by South Korea and Indonesia.

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

Fund Performance (continued)

Templeton Shariah Global Equity Fund

For the year ended October 31, 2017, the fund underperformed its benchmark index, returning 17.6% in US-dollar terms, while the benchmark MSCI All Country World Islamic Index posted a 20.8% total return, also in US-dollar terms.

Stock selection and an underweight allocation in the industrials sector curbed relative performance during the year. Within the sector, shares of Japanese engineering firm Chiyoda and electric equipment manufacturer Toshiba traded lower and hurt relative results. In the consumer discretionary sector, Japan-based athletic footwear manufacturer Asics impaired relative performance. Stock selection in the real estate sector further hampered relative results. Other leading detractors at the fund level included UK-based engineering and construction firm Petrofac, US-based drugstore network Walgreens Boots Alliance and Canada-based gold miner Eldorado Gold.

In contrast, stock selection and an overweight allocation in the information technology sector boosted relative results. Leading sector contributors included two South Korea-based companies, consumer electronics giant Samsung Electronics and manufacturer of mobile phone components LG Innotek, along with China-based internet software and services firm Tencent. Japan-based testing and measurement firm Anritsu and US-based semiconductor firm Intel also lifted relative performance in the sector. Stock selection in energy further strengthened relative results. Within the sector, Portugal-based integrated oil and gas company Galp Energia performed well. Denmark-based pharmaceutical manufacturer H. Lundbeck enhanced relative performance in the health care sector.

Regionally, stock selection in the United Kingdom hurt relative results. An overweight allocation and stock selection in Canada pared relative performance. Stock selection in Japan and China also hindered relative results. Conversely, an overweight allocation in South Korea benefitted relative returns, as did stock selection in Denmark. Overweight allocations in Germany and Portugal, together with a significant underweight in the United States, aided relative performance.

Outlook

Global economic and financial conditions have remained benign, backed by easy monetary policy and low inflation. With the post-financial crisis recovery nearly 10 years old and the global profit cycle looking increasingly mature, many investors are wondering when we might see the inflection point in this unusually extended and muted business cycle. While we never attempt to time the cycle, we can monitor indicators as potential signposts for an eventual inflection point. To this end, near-term tactical indicators remain relatively subdued, with little excess exuberance evident in consumer credit, corporate investment or wage inflation. Absent inflationary pressures, central banks should have sufficient runway to respond to evolving financial conditions and begin normalising monetary policy over time. That said, inflection points in the cycle are often unpredictable and unexpected. What is more, the massive central bank stimulus required to recover from the global financial crisis has led to certain extreme and unprecedented conditions that can increase longer-term systemic risks. For instance, central bank balance sheets have ballooned to unprecedented sizes, creating an inorganic liquidity backstop, the removal of which could negatively impact asset prices that, by at least one measure (of developed-market stocks and bonds), are the most expensive in over two centuries. Global sovereign debt levels and government budget deficits are unusually high, conditions typically associated with periods of crisis and conflict, but now an everyday reality we view as likely to increase vulnerability should conditions deteriorate. Finally, the rise of populism and nationalism, while apparently on the ebb for now, has increased geopolitical tensions and threatens to disrupt the fluidity of trade and labour that has contributed to globalisation and pulled millions out of poverty around the world. In these uncertain times, we continue to caution against blindly buying “the market” in this late cycle and dearly valued environment. To the contrary, we believe the ability to spot secular business and product cycle trends, and identify stocks still trading at a discount to their long-term intrinsic value, will be instrumental in potentially accumulating and preserving wealth over the long term as the cycle matures and eventually inflects.

Turning to the Sukuk market, the surprising recent headlines from Saudi Arabia seem to be part of ongoing efforts to consolidate power in the hands of the King and Crown Prince. These efforts should help them implement wide-ranging reforms and change the country’s culture to be more moderate, modern and attractive to the more than 70% of the population below the age of 30.

Recent events in Saudi Arabia will probably have only a limited impact in the short term. In the longer term, however, the risk of political instability could increase if the expected gains fail to materialise or if geopolitical wagers backfire. For now, the narrative could be promoted as positive for reforms, for growth and for the government’s efforts to tackle corruption. So far, these events have not materially changed our positions yet.

We expect volatility in US benchmark rates to subside as the US administration falls short of delivering on expected reforms, as has been the case several times this year. We do not see the recent rebound in US rates and the US dollar as a trend reversal. Instead, we find the continued flattening of the US yield curve more important to guide our medium- and long-term positioning. This view is supported by inflation that remains modest despite low unemployment, and by fading concerns about the next Fed chair.

We also maintain our defensive views on credit. We find valuations somewhat stretched and are positioned defensively with high cash levels and high weighted-average credit ratings. New issuance has fallen short of our expectations in the final months of the 12 months under review, but we maintain a disciplined approach. We expect to see opportunities to deploy cash in new issues in the near future, especially if there were to be a pull-back in risk assets.

In summary, volatility in risk assets (spreads) informs our near-term outlook more than moves in benchmark rates.

THE INVESTMENT MANAGERS
November 2017

The information stated in this report represents historical data and is not an indication of future results.



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 and of each of its sub-funds (the “Fund”) as at October 31, 2017, 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 October 31, 2017;
- the Schedule of Investments as at October 31, 2017;
- 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 July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Law and standards 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 included 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 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 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.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



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 July 23, 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 July 23, 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 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 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, January 26, 2018

Emmanuel Chataignier

FUND PERFORMANCE

PERCENTAGE CHANGE TO OCTOBER 31, 2017

	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	4.0	4.8	5.5	13.3	14.3
Templeton Shariah Asian Growth Fund	A (acc) USD	27 Aug 12	7.6	16.5	7.1	7.4	9.4
Templeton Shariah Global Equity Fund	A (acc) USD	10 Sep 12	6.7	17.6	12.6	31.5	29.5

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 Investments

STATEMENT OF NET ASSETS

AT OCTOBER 31, 2017

	TOTAL (USD)	Franklin Global Sukuk Fund (USD)	Templeton Shariah Asian Growth Fund (USD)	Templeton Shariah Global Equity Fund (USD)
ASSETS				
Investment in securities at market value (note 2(b))	205,686,473	118,906,187	4,949,476	81,830,810
Cash	14,089,889	9,152,012	120,493	4,817,384
Amounts receivable on sale of investments	569	32	82	455
Amounts receivable on subscriptions	332,213	216,230	42,224	73,759
Profit payments on Sukuk and dividends receivable, net	1,179,670	1,038,153	16,213	125,304
Other receivables	90,912	28,345	15,534	47,033
TOTAL ASSETS	221,379,726	129,340,959	5,144,022	86,894,745
LIABILITIES				
Amounts payable on purchases of investments	6,395	-	6,395	-
Amounts payable on redemptions	397,952	55,809	29,164	312,979
Investment management fees payable (note 4)	170,380	95,821	5,166	69,393
Unrealised loss on Shariah compliant forward foreign exchange contracts (note 2(f), 15)	13,963	13,963	-	-
Payable to charity	769	-	77	692
Taxes and expense payable	539,695	292,440	36,809	210,446
TOTAL LIABILITIES	1,129,154	458,033	77,611	593,510
TOTAL NET ASSETS	220,250,572	128,882,926	5,066,411	86,301,235
THREE YEAR ASSET SUMMARY				
October 31, 2016	181,359,989	105,133,970	3,553,962	72,672,057
October 31, 2015	166,740,593	95,383,936	4,493,430	66,863,227
October 31, 2014	120,925,683	54,289,263	5,960,067	60,676,353

The accompanying notes form an integral part of these financial statements

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED OCTOBER 31, 2017

	TOTAL	Franklin Global Sukuk Fund	Templeton Shariah Asian Growth Fund	Templeton Shariah Global Equity Fund
	(USD)	(USD)	(USD)	(USD)
NET ASSETS AT THE BEGINNING OF THE YEAR	181,359,989	105,133,970	3,553,962	72,672,057
INCOME				
Dividends (net of withholding taxes) (note 2(c))	1,927,853	-	109,087	1,818,766
Profit payments on Sukuk (net of withholding taxes) (note 2(c))	5,202,381	5,202,381	-	-
Sundry income	1,064	274	-	790
TOTAL INCOME	<u>7,131,298</u>	<u>5,202,655</u>	<u>109,087</u>	<u>1,819,556</u>
EXPENSES				
Investment management fees (note 4)	1,854,619	1,013,577	56,997	784,045
Administration and transfer agency fees	448,267	257,027	11,218	180,022
Depository fees	218,260	68,222	56,770	93,268
Directors fees	17,015	10,061	397	6,557
Audit fees	66,178	28,500	13,684	23,994
Printing and publishing expenses	94,744	55,830	2,468	36,446
Shariah Compliance Fees	147,548	59,653	16,721	71,174
Subscription tax (note 6)	89,964	50,667	1,952	37,345
Class A (dis) and Class A (acc) shares' maintenance charges (note 3)	307,942	176,719	16,055	115,168
Class AS (acc) shares' maintenance charges (note 3)	188,560	-	-	188,560
Class N (acc) shares' maintenance charges (note 3)	63	63	-	-
Other Charges (note 7)	269,258	156,810	8,455	103,993
TOTAL EXPENSES	<u>3,702,418</u>	<u>1,877,129</u>	<u>184,717</u>	<u>1,640,572</u>
Expenses reimbursement (note 8)	(705,598)	(358,402)	(92,710)	(254,486)
NET EXPENSES	<u>2,996,820</u>	<u>1,518,727</u>	<u>92,007</u>	<u>1,386,086</u>
NET PROFIT/(LOSS) FROM INVESTMENTS	4,134,478	3,683,928	17,080	433,470
Net realised profit/(loss) on sale of investments	1,023,410	264,153	360,916	398,341
Net realised profit/(loss) on Shariah compliant forward foreign exchange contracts	36,411	36,411	-	-
Net realised profit/(loss) on foreign exchange transactions	(32,028)	(4,263)	(11,639)	(16,126)
NET REALISED PROFIT/(LOSS) FOR THE YEAR	<u>5,162,271</u>	<u>3,980,229</u>	<u>366,357</u>	<u>815,685</u>
Change in net unrealised appreciation/(depreciation) on:				
Investments	14,905,801	2,151,409	344,267	12,410,125
Shariah compliant forward foreign exchange contracts	(12,724)	(12,724)	-	-
Foreign exchange transactions	15,343	7,354	87	7,902
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	<u>20,070,691</u>	<u>6,126,268</u>	<u>710,711</u>	<u>13,233,712</u>
DONATIONS TO CHARITY				
Purification of non-Shariah compliant dividends (note 10)	(14,161)	-	(600)	(13,561)
Purification of net realised profit on non-Shariah compliant profit (note 10)	(100,202)	-	(4,868)	(95,334)
NET DECREASE IN NET ASSETS AS A RESULT OF DONATIONS TO CHARITY	<u>(114,363)</u>	<u>-</u>	<u>(5,468)</u>	<u>(108,895)</u>
MOVEMENT OF CAPITAL				
Issue of shares	86,103,856	52,528,013	4,757,157	28,818,686
Redemption of shares	(62,750,716)	(30,942,490)	(3,941,463)	(27,866,763)
Equalisation (note 2(e))	277,687	289,406	95	(11,814)
	<u>23,630,827</u>	<u>21,874,929</u>	<u>815,789</u>	<u>940,109</u>
Dividends paid/accumulated (note 11)	(4,696,572)	(4,252,241)	(8,583)	(435,748)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL	<u>18,934,255</u>	<u>17,622,688</u>	<u>807,206</u>	<u>504,361</u>
NET ASSETS AT THE END OF THE YEAR	<u>220,250,572</u>	<u>128,882,926</u>	<u>5,066,411</u>	<u>86,301,235</u>
Portfolio Turnover Ratio (note 14)		58.62%	84.23%	17.33%

The accompanying notes form an integral part of these financial statements

STATISTICAL INFORMATION

	Total Expense Ratio October 31, 2017 (see note 9)	Shares Outstanding October 31, 2017	Net Asset Value per Share		
			October 31, 2017	October 31, 2016	October 31, 2015
Franklin Global Sukuk Fund - USD					
A (acc) EUR	1.50%	70,856.407	11.89	12.04	11.96
A (acc) USD	1.50%	3,958,125.741	11.43	10.91	10.85
A (Mdis) SGD	1.50%	2,030,885.331	10.14	10.27	10.74
A (Mdis) USD	1.50%	881,221.208	9.60	9.53	9.90
I (acc) USD	1.07%	1,855,137.977	11.69	11.10	11.00
N (acc) EUR	2.45%	389.772	11.37	11.63	11.67
W (Qdis) EUR-H1	0.95%	72,620.848	9.70	9.79	-
W (Qdis) USD	1.11%	3,783,347.637	9.66	9.56	9.87
X (Qdis) USD	0.37%	500.000	9.89	9.72	9.99
Templeton Shariah Asian Growth Fund - USD					
A (acc) SGD	2.25%	32,119.374	11.41	10.00	9.48
A (acc) USD	2.25%	285,016.056	10.94	9.39	8.84
I (acc) USD	1.30%	145,757.835	11.49	9.77	9.11
X (Ydis) USD	0.40%	500.000	10.71	9.15	8.63
Templeton Shariah Global Equity Fund - USD					
A (acc) SGD	1.90%	135,009.326	13.39	11.62	11.63
A (acc) USD	1.90%	1,700,445.185	12.95	11.01	10.94
AS (acc) SGD	1.75%	5,709,561.661	11.66	10.09	10.09
I (acc) USD	1.05%	1,040,658.337	13.55	11.41	11.25
X (Ydis) USD	0.35%	500.000	10.95	9.34	9.30

NOTES TO THE FINANCIAL STATEMENTS AT OCTOBER 31, 2017

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 3 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 Investments according to its successful time-tested investment selection methods.

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) 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.

(f) 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, 2017 are as follows:

Exchange Rate	U.S. dollar
Euro	0.8583
Singapore dollar	1.3628

(g) 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”.

Note 3 — Share classes

Class A (acc) shares: No distribution of dividends is made in respect of Class A (acc) shares but the net income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as those which apply for Class A (dis) shares.

Class A (dis) shares: are offered at the applicable net asset value, plus an initial 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, may apply to certain redemptions on qualified investments of USD 1 million or more within 18 months after repurchase.

NOTES TO THE FINANCIAL STATEMENTS AT OCTOBER 31, 2017 (CONTINUED)

Note 3 — Share classes (continued)

Class AS (acc) shares: are offered in Singapore to CPF Investors as more fully described in the current prospectus of the Company. Class AS (acc) shares are offered at the applicable net asset value, plus an initial charge of up to 3% of the total amount invested. 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. No distribution of dividends is made in respect of Class AS (acc) shares but the net income attributable is reflected in the increased value of the shares.

Class I (acc) shares: No distribution of dividends is made but the net income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as those which apply for Class I (dis) shares.

Class I (dis) shares: are offered to institutional investors as more fully described in the current prospectus of the Company. Purchases of Class I (dis) shares are not subject to an initial sales charge, nor a contingent deferred sales charge or any maintenance or servicing charges. Class I (dis) shares benefit from a reduced Investment Management fee (note 4).

Class N (acc) shares: No distribution of dividends is made but the net income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as these which apply for Class N (dis) shares.

Class N (dis) shares: are subject to an initial 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 (dis) shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class W (acc) shares: No distribution of dividends is made but the net income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as these which apply for Class W (dis) shares.

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

Class X (acc) shares: No distribution of dividends is made but the net income attributable is reflected in the increased value of the shares. All other terms and conditions are the same as these which apply for Class X (dis) shares.

Class X (dis) shares: are not subject to an initial 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.

The above mentioned distributing share classes may have different frequencies: Mdis share classes distribute monthly, Qdis share classes distribute quarterly, Bdis share classes distribute semi-annually and Ydis share classes distribute annually.

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, 2017.

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%	0.75%
Templeton Shariah Asian Growth Fund	1.35%	0.90%	N/A
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 Investments, and no transactions were entered into with connected brokers during the year ended October 31, 2017.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS AT OCTOBER 31, 2017 (CONTINUED)

Note 6 — Taxation (continued)

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 Asian Growth Fund	Templeton Shariah Global Equity Fund
	(USD)	(USD)	(USD)	(USD)
Legal fees	92,008	54,442	2,094	35,472
Miscellaneous expenses	38,864	21,091	3,257	14,516
Paying agent	51,461	30,349	1,181	19,931
Registration and filing fees	62,829	36,680	1,360	24,789
Tax fees	24,096	14,248	563	9,285
	269,258	156,810	8,455	103,993

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 the Funds relate to the average net assets of the Funds for the year ended October 31, 2017. 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, 2017, this amount was donated to the United Kingdom Committee for the United Nations Children’s Fund (UNICEF).

Note 11 — Dividends distributed

For the year ended October 31, 2017, 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- 2016	Dec- 2016	Jan- 2017	Feb- 2017	Mar- 2017	Apr- 2017	May- 2017	Jun- 2017	Jul- 2017	Aug- 2017	Sep- 2017	Oct- 2017
Franklin Global Sukuk Fund												
A (Mdis) SGD	0.005	0.033	0.034	0.032	0.031	0.031	0.032	0.081	0.031	0.031	0.030	0.029
A (Mdis) USD	0.003	0.030	0.031	0.030	0.028	0.028	0.029	0.076	0.029	0.029	0.029	0.028
W (Qdis) EUR-H1	0.081			0.092			0.086			0.126		
W (Qdis) USD	0.077			0.090			0.086			0.134		
X (Qdis) USD	0.078			0.092			0.088			0.137		
Templeton Shariah Asian Growth Fund												
X (Ydis) USD	0.131											
Templeton Shariah Global Equity Fund												
X (Ydis) USD	0.172											

NOTES TO THE FINANCIAL STATEMENTS AT OCTOBER 31, 2017 (CONTINUED)

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, 2017 the Company incurred the following transaction costs:

Fund	Currency	Amount
Franklin Global Sukuk Fund	USD	-*
Templeton Shariah Asian Growth Fund	USD	17,846
Templeton Shariah Global Equity Fund	USD	67,020

*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 absolute value 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, 2017, 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	677,689	USD	804,159
		15-Nov-17	(13,963)

The above contracts were opened with the following counterparties:

Goldman Sachs	(7,136)
JPMorgan Chase Bank	(1,487)
Standard Chartered	(5,340)
	(13,963)

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.

Note 17 — Audited annual reports and unaudited semi-annual reports

The audited annual reports and unaudited semi-annual reports are available on the following Franklin Templeton Investments 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.

NOTES TO THE FINANCIAL STATEMENTS AT OCTOBER 31, 2017 (CONTINUED)

Note 18 — Abbreviations

Countries

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

Currencies

AUD	Australian Dollar	GBP	British Pound Sterling	MYR	Malaysian Ringgit	USD	US Dollar
CAD	Canadian Dollar	HKD	Hong Kong Dollar	NOK	Norwegian Krone	VND	Vietnamese Dong
CHF	Swiss Franc	IDR	Indonesian Rupiah	SGD	Singapore Dollar		
DKK	Danish Krone	JPY	Japanese Yen	THB	Thai Baht		
EUR	Euro	KRW	South Korean Won	TWD	New Taiwan Dollar		

Note 19 — Subsequent events

Fund closure

On December 12, 2017, Templeton Shariah Asian Growth Fund closed.

— Franklin Global Sukuk Fund —

SCHEDULE OF INVESTMENTS AS OF OCTOBER 31, 2017

(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					
4,280,000	Equate Sukuk SPC Ltd., senior note, Reg S, 3.944%, 02/21/24	KWT	USD	4,375,230	3.39
3,600,000	MAF Sukuk Ltd., Reg S, 4.50%, 11/03/25	ARE	USD	3,771,000	2.93
3,550,000	QIB Sukuk Ltd., senior note, Reg S, 3.251%, 05/23/22	QAT	USD	3,464,196	2.69
7,620,000	Asya Sukuk Co. Ltd., 7.50%, 03/28/23 *	TUR	USD	3,429,000	2.66
2,800,000	Saudi Electricity Global Sukuk Co. 3, senior bond, Reg S, 5.50%, 04/08/44	SAU	USD	3,065,356	2.38
2,650,000	Unity 1 Sukuk Ltd., senior note, Reg S, 3.86%, 11/30/21	ARE	USD	2,708,273	2.10
2,650,000	JANY Sukuk Co. Ltd., Reg S, 2.844%, 09/23/19	USA	USD	2,662,826	2.07
2,540,000	Saudi Electricity Global Sukuk Co. 2, senior bond, Reg S, 5.06%, 04/08/43	SAU	USD	2,628,189	2.04
2,400,000	DP World Crescent Ltd., senior note, Reg S, 3.908%, 05/31/23	ARE	USD	2,469,000	1.92
2,400,000	Ezdan Sukuk Co. Ltd., senior note, Reg S, 4.375%, 05/18/21	QAT	USD	2,293,992	1.78
1,900,000	Axiata SPV2 Bhd., 4.357%, 03/24/26	MYS	USD	2,018,056	1.57
2,000,000	Noor Sukuk Co. Ltd., senior note, Reg S, 2.788%, 04/28/20	ARE	USD	1,991,564	1.54
1,950,000	DIB Sukuk Co. Ltd., senior note, Reg S, 3.664%, 02/14/22	ARE	USD	1,983,364	1.54
2,000,000	QIB Sukuk Ltd., senior note, Reg S, 2.754%, 10/27/20	QAT	USD	1,960,000	1.52
1,900,000	DIB Sukuk Co. Ltd., senior note, Reg S, 3.60%, 03/30/21	ARE	USD	1,930,362	1.50
1,890,000	Emaar Sukuk Ltd., senior note, Reg S, 3.635%, 09/15/26	ARE	USD	1,859,788	1.44
1,800,000	EIB Sukuk Ltd., senior note, Reg S, 3.542%, 05/31/21	ARE	USD	1,831,392	1.42
1,325,000	SIB Sukuk Company III Ltd., senior note, Reg S, 3.084%, 09/08/21	ARE	USD	1,321,562	1.02
1,200,000	Boubyan Tier 1 Capital SPC Ltd., sub. bond, Reg S, 6.75% to 05/16/21, FRN thereafter, Perpetual	KWT	USD	1,269,234	0.98
1,200,000	DIB Tier 1 Sukuk Ltd., junior sub. bond, Reg S, 6.25% to 03/19/19, FRN thereafter, Perpetual	ARE	USD	1,226,178	0.95
984,000	GEMS MEA Sukuk Ltd., junior sub. note, Reg S, 12.00% to 11/21/18, FRN thereafter, Perpetual	ARE	USD	1,050,420	0.81
880,000	Ezdan Sukuk Co. Ltd., senior note, Reg S, 4.875%, 04/05/22	QAT	USD	850,815	0.66
725,000	Saudi Electricity Global Sukuk Co. 3, senior note, Reg S, 4.00%, 04/08/24	SAU	USD	757,640	0.59
600,000	SIB Sukuk Co. III Ltd., senior note, Reg S, 2.843%, 03/17/20	ARE	USD	597,405	0.46
450,000	Dar Al-Arkan Sukuk Co. Ltd., senior note, Reg S, 6.50%, 05/28/19	SAU	USD	451,870	0.35
350,000	Saudi Electricity Global Sukuk Co., Reg S, 4.211%, 04/03/22	SAU	USD	368,813	0.29
250,000	Danga Capital Bhd., senior bond, Reg S, 3.725%, 08/11/20	MYS	SGD	190,470	0.15
				<u>52,525,995</u>	<u>40.75</u>
Government and Municipal Sukuk					
4,825,000	Perusahaan Penerbit SBSN Indonesia III, Reg S, 4.55%, 03/29/26	IDN	USD	5,126,562	3.98
4,950,000	KSA Sukuk Ltd., senior bond, Reg S, 3.628%, 04/20/27	SAU	USD	5,029,200	3.90
4,950,000	Oman Sovereign Sukuk SAOC, senior note, Reg S, 4.397%, 06/01/24	OMN	USD	4,955,940	3.85
4,950,000	SoQ Sukuk A Q.S.C, Reg S, 3.241%, 01/18/23	QAT	USD	4,944,258	3.84
4,350,000	Hong Kong Sukuk 2017 Ltd., senior note, Reg S, 3.132%, 02/28/27	HKG	USD	4,414,054	3.42
4,000,000	Perusahaan Penerbit SBSN Indonesia III, senior note, Reg S, 4.325%, 05/28/25	IDN	USD	4,190,720	3.25
3,850,000	Malaysia Sukuk Global Bhd., Reg S, 4.08%, 04/27/46	MYS	USD	4,053,723	3.15
15,500,000	Government of Malaysia, senior bond, 4.444%, 05/22/24	MYS	MYR	3,753,256	2.91
3,550,000	KSA Sukuk Ltd., senior note, Reg S, 2.894%, 04/20/22	SAU	USD	3,559,177	2.76
3,075,000	Perusahaan Penerbit SBSN Indonesia III, 4.15%, 03/29/27	IDN	USD	3,178,781	2.47
2,105,000	CBB International Sukuk Co. SPC, senior note, Reg S, 5.624%, 02/12/24	BHR	USD	2,175,223	1.69
2,000,000	Perusahaan Penerbit SBSN Indonesia III, Reg S, 4.35%, 09/10/24	IDN	USD	2,114,120	1.64
1,905,000	AFC Sukuk Co., senior note, FRN, 3.456%, 01/24/20 †	SP	USD	1,917,356	1.49
1,550,000	Malaysia Sovereign Sukuk Bhd., Reg S, 3.043%, 04/22/25	MYS	USD	1,571,258	1.22
1,150,000	HM Treasury UK Sovereign Sukuk PLC, Reg S, 2.036%, 07/22/19	GBR	GBP	1,566,667	1.22
6,000,000	Government of Malaysia, senior note, 4.194%, 07/15/22	MYS	MYR	1,440,085	1.12
5,050,000	Government of Malaysia, senior bond, 4.07%, 09/30/26	MYS	MYR	1,189,888	0.92
15,000,000,000	Perusahaan Penerbit SBSN, senior note, 8.30%, 03/10/19	IDN	IDR	1,143,318	0.89
1,100,000	RAK Capital, Reg S, 3.094%, 03/31/25	ARE	USD	1,085,710	0.84
1,000,000	The Third Pakistan International Sukuk Co. Ltd., 5.50%, 10/13/21	PAK	USD	1,019,960	0.79
1,000,000	CBB International Sukuk Co. SPC, senior note, Reg S, 5.25%, 03/20/25	BHR	USD	1,005,615	0.78
4,000,000	Government of Malaysia, senior note, 3.716%, 03/23/21	MYS	MYR	947,278	0.73
500,000	Perusahaan Penerbit SBSN Indonesia III, senior note, Reg S, 3.30%, 11/21/22	IDN	USD	509,375	0.39
2,000,000	Government of Malaysia, senior note, 4.582%, 08/30/33	MYS	MYR	465,501	0.36
				<u>61,357,025</u>	<u>47.61</u>
Securities Maturing Within One Year					
2,300,000	Alpha Star Holding IV Ltd., senior note, Reg S, FRN, 4.585%, 09/30/18 †	ARE	USD	2,300,816	1.79
1,000,000	AHB Sukuk Co., senior note, Reg S, 3.267%, 10/08/18	ARE	USD	1,013,780	0.79
900,000	Dar Al-Arkan Sukuk Co. Ltd., senior note, Reg S, 5.75%, 05/24/18	SAU	USD	905,279	0.70
800,000	EIB Sukuk Ltd., Reg S, 4.147%, 01/11/18	ARE	USD	803,292	0.62
				<u>5,023,167</u>	<u>3.90</u>
TOTAL SUKUK				<u>118,906,187</u>	<u>92.26</u>
TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				<u>118,906,187</u>	<u>92.26</u>
TOTAL INVESTMENTS				<u>118,906,187</u>	<u>92.26</u>

* This Sukuk is currently in default

† Floating Rates are indicated as at October 31, 2017

The accompanying notes form an integral part of these financial statements

— Templeton Shariah Asian Growth Fund —

SCHEDULE OF INVESTMENTS AS OF OCTOBER 31, 2017

(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					
Automobiles					
168,100	Brilliance China Automotive Holdings Ltd.	CHN	HKD	424,918	8.39
8,050	Kia Motors Corp.	KOR	KRW	254,872	5.03
				<u>679,790</u>	<u>13.42</u>
Biotechnology					
17,356	Hans Biomed Corp.	KOR	KRW	257,680	5.08
Building Products					
1,153,900	Dynasty Ceramic PCL, fgn.	THA	THB	141,025	2.78
Chemicals					
11,725	Huchems Fine Chemical Corp.	KOR	KRW	246,960	4.87
Construction & Engineering					
4,837	Daelim Industrial Co. Ltd.	KOR	KRW	360,799	7.12
8,187	Hyundai Development Co-Engineering & Construction	KOR	KRW	293,625	5.80
				<u>654,424</u>	<u>12.92</u>
Construction Materials					
442,200	Semen Indonesia (Persero) Tbk PT	IDN	IDR	355,390	7.02
64,500	Anhui Conch Cement Co. Ltd., H	CHN	HKD	275,731	5.44
				<u>631,121</u>	<u>12.46</u>
Industrial Conglomerates					
44,300	Keppel Corp. Ltd.	SGP	SGD	243,808	4.81
Leisure products					
53,000	Merida Industry Co. Ltd.	TWN	TWD	247,105	4.88
Oil, Gas & Consumable Fuels					
564,000	PetroChina Co. Ltd., H	CHN	HKD	367,982	7.26
190,000	CNOOC Ltd.	CHN	HKD	258,648	5.11
88,600	PTT Exploration and Production PCL, fgn.	THA	THB	230,035	4.54
17,000	PTT PCL, fgn.	THA	THB	214,931	4.24
240,000	China Petroleum & Chemical Corp., H	CHN	HKD	176,277	3.48
				<u>1,247,873</u>	<u>24.63</u>
Pharmaceuticals					
4,850	DHG Pharmaceutical JSC	VNM	VND	21,420	0.42
Road & Rail					
166,000	ComfortDelGro Corp. Ltd.	SGP	SGD	246,061	4.86
Transportation Infrastructure					
78,000	China Merchants Port Holdings Co. Ltd.	CHN	HKD	243,958	4.82
52,000	Shenzhen Chiwan Wharf Holdings Ltd., B	CHN	HKD	88,251	1.74
				<u>332,209</u>	<u>6.56</u>
TOTAL SHARES				<u>4,949,476</u>	<u>97.69</u>
TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				<u>4,949,476</u>	<u>97.69</u>
TOTAL INVESTMENTS				<u>4,949,476</u>	<u>97.69</u>

The accompanying notes form an integral part of these financial statements

— Templeton Shariah Global Equity Fund —

SCHEDULE OF INVESTMENTS AS OF OCTOBER 31, 2017

(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				
58,378	Royal Mail PLC	GBR	GBP	<u>290,356</u>	<u>0.34</u>
	Airlines				
47,924	International Consolidated Airlines Group SA	GBR	EUR	<u>404,795</u>	<u>0.47</u>
	Auto Components				
5,834	Cie Generale des Etablissements Michelin, B	FRA	EUR	844,175	0.98
3,491	Hyundai Mobis Co. Ltd.	KOR	KRW	832,090	0.96
24,600	Keihin Corp.	JPN	JPY	448,591	0.52
19,500	Tokai Rika Co. Ltd.	JPN	JPY	<u>405,850</u>	<u>0.47</u>
				<u>2,530,706</u>	<u>2.93</u>
	Automobiles				
32,400	Mazda Motor Corp.	JPN	JPY	<u>462,287</u>	<u>0.54</u>
	Beverages				
19,400	Suntory Beverage & Food Ltd.	JPN	JPY	<u>885,697</u>	<u>1.03</u>
	Biotechnology				
8,290	BioMarin Pharmaceutical Inc.	USA	USD	<u>680,526</u>	<u>0.79</u>
	Building Products				
19,336	Compagnie de Saint-Gobain	FRA	EUR	1,134,480	1.31
48,400	Bunka Shutter Co. Ltd.	JPN	JPY	<u>410,855</u>	<u>0.48</u>
				<u>1,545,335</u>	<u>1.79</u>
	Chemicals				
3,007	LG Chem Ltd.	KOR	KRW	1,085,176	1.26
3,112	Lotte Chemical Corp.	KOR	KRW	1,028,436	1.19
19,247	Yara International ASA	NOR	NOK	914,049	1.06
14,155	Johnson Matthey PLC	GBR	GBP	635,770	0.74
6,325	Akzo Nobel NV	NLD	EUR	572,862	0.66
7,311	LANXESS AG	DEU	EUR	<u>571,366</u>	<u>0.66</u>
				<u>4,807,659</u>	<u>5.57</u>
	Commercial Services & Supplies				
441,740	Tox Free Solutions Ltd.	AUS	AUD	<u>828,580</u>	<u>0.96</u>
	Communications Equipment				
15,200	NetScout Systems Inc.	USA	USD	<u>431,680</u>	<u>0.50</u>
	Construction & Engineering				
50,000	CHIYODA Corp.	JPN	JPY	<u>294,247</u>	<u>0.34</u>
	Construction Materials				
24,354	CRH PLC	IRL	EUR	918,454	1.06
5,330	HeidelbergCement AG	DEU	EUR	<u>543,164</u>	<u>0.63</u>
				<u>1,461,618</u>	<u>1.69</u>
	Containers & Packaging				
1,025,000	Greatview Aseptic Packaging Co. Ltd.	CHN	HKD	<u>641,171</u>	<u>0.74</u>
	Diversified Telecommunication Services				
292,776	Telefonica Deutschland Holding AG	DEU	EUR	1,488,213	1.72
1,324,000	China Telecom Corp. Ltd., H	CHN	HKD	663,583	0.77
165,800	Singapore Telecommunications Ltd.	SGP	SGD	<u>456,247</u>	<u>0.53</u>
				<u>2,608,043</u>	<u>3.02</u>
	Electric Utilities				
15,244	Korea Electric Power Corp.	KOR	KRW	<u>534,451</u>	<u>0.62</u>
	Electrical Equipment				
22,907	ABB Ltd.	CHE	CHF	<u>598,822</u>	<u>0.69</u>
	Electronic Equipment, Instruments & Components				
9,217	LG Innotek Co. Ltd.	KOR	KRW	1,417,886	1.64
19,000	Omron Corp.	JPN	JPY	1,056,298	1.22
36,780	Hollysys Automation Technologies Ltd.	CHN	USD	825,711	0.96
5,300	Murata Manufacturing Co. Ltd.	JPN	JPY	824,745	0.96
77,200	Anritsu Corp.	JPN	JPY	721,883	0.84
39,200	Knowles Corp.	USA	USD	<u>649,152</u>	<u>0.75</u>
				<u>5,495,675</u>	<u>6.37</u>
	Energy Equipment & Services				
15,050	Helmerich & Payne Inc.	USA	USD	817,366	0.95
20,545	Tenaris SA	ITA	EUR	<u>281,247</u>	<u>0.32</u>
				<u>1,098,613</u>	<u>1.27</u>
	Food & Staples Retailing				
13,100	Matsumotokiyoshi Holdings Co. Ltd.	JPN	JPY	<u>938,019</u>	<u>1.09</u>
	Food Products				
410,700	First Resources Ltd.	SGP	SGD	<u>593,710</u>	<u>0.69</u>

The accompanying notes form an integral part of these financial statements

— Templeton Shariah Global Equity Fund —

SCHEDULE OF INVESTMENTS AS OF OCTOBER 31, 2017 (CONTINUED)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Health Care Equipment & Supplies				
11,927	Draegerwerk AG & Co. KGAA	DEU	EUR	<u>1,056,757</u>	<u>1.22</u>
	Health Care Providers & Services				
7,670	Cardinal Health Inc.	USA	USD	474,773	0.55
4,360	AmerisourceBergen Corp.	USA	USD	<u>335,502</u>	<u>0.39</u>
				<u>810,275</u>	<u>0.94</u>
	Household Durables				
37,000	Panasonic Corp.	JPN	JPY	<u>553,470</u>	<u>0.64</u>
	Household Products				
11,040	The Procter & Gamble Co.	USA	USD	<u>953,194</u>	<u>1.10</u>
	Industrial Conglomerates				
88,500	CK Hutchison Holdings Ltd.	HKG	HKD	1,123,642	1.30
4,383	Siemens AG	DEU	EUR	<u>625,536</u>	<u>0.73</u>
				<u>1,749,178</u>	<u>2.03</u>
	Internet Software & Services				
64,800	Tencent Holdings Ltd.	CHN	HKD	<u>2,905,528</u>	<u>3.37</u>
	Life Sciences Tools & Services				
25,889	QIAGEN NV	NLD	EUR	<u>876,959</u>	<u>1.02</u>
	Machinery				
51,100	Hino Motors Ltd.	JPN	JPY	652,235	0.76
77,000	Nachi-Fujikoshi Corp.	JPN	JPY	<u>470,074</u>	<u>0.54</u>
				<u>1,122,309</u>	<u>1.30</u>
	Metals & Mining				
38,500	Sumitomo Metal Mining Co. Ltd.	JPN	JPY	1,509,113	1.75
45,908	Wheaton Precious Metals Corp.	CAN	CAD	953,013	1.10
63,430	Alamos Gold Inc., A	CAN	USD	400,878	0.47
131,700	Eldorado Gold Corp.	CAN	CAD	<u>165,448</u>	<u>0.19</u>
				<u>3,028,452</u>	<u>3.51</u>
	Multiline Retail				
3,200	Ryohin Keikaku Co. Ltd.	JPN	JPY	<u>940,183</u>	<u>1.09</u>
	Oil, Gas & Consumable Fuels				
84,899	Royal Dutch Shell PLC, A	GBR	GBP	2,667,907	3.09
289,578	BP PLC	GBR	GBP	1,962,688	2.27
74,301	Galp Energia SGPS SA, B	PRT	EUR	1,381,567	1.60
23,415	Total SA	FRA	EUR	1,305,877	1.51
36,753	Suncor Energy Inc.	CAN	CAD	1,248,328	1.45
20,150	ConocoPhillips	USA	USD	1,030,673	1.19
68,600	Husky Energy Inc.	CAN	CAD	889,451	1.03
653,000	CNOOC Ltd.	CHN	HKD	888,931	1.03
7,290	Chevron Corp.	USA	USD	844,838	0.98
48,679	Eni SpA	ITA	EUR	796,257	0.92
43,000	INPEX Corp.	JPN	JPY	455,608	0.53
148,600	PTT Exploration and Production PCL, fgn.	THA	THB	385,814	0.45
312,000	Kunlun Energy Co. Ltd.	CHN	HKD	<u>289,150</u>	<u>0.34</u>
				<u>14,147,089</u>	<u>16.39</u>
	Personal Products				
41,200	Coty Inc., A	USA	USD	<u>634,480</u>	<u>0.73</u>
	Pharmaceuticals				
11,384	Bayer AG	DEU	EUR	1,481,469	1.72
16,100	Eli Lilly & Co.	USA	USD	1,319,234	1.53
14,502	Novartis AG	CHE	CHF	1,194,872	1.38
33,470	Pfizer Inc.	USA	USD	1,173,458	1.36
19,307	H. Lundbeck A/S	DNK	DKK	1,147,423	1.33
11,787	Sanofi	FRA	EUR	1,116,310	1.29
570,000	China Medical System Holdings Ltd.	CHN	HKD	1,053,587	1.22
5,910	Allergan PLC	USA	USD	1,047,429	1.21
77,900	Astellas Pharma Inc.	JPN	JPY	1,033,710	1.20
27,000	Tsumura & Co.	JPN	JPY	999,912	1.16
3,883	Roche Holding AG	CHE	CHF	897,140	1.04
10,170	UCB SA	BEL	EUR	740,417	0.86
12,180	Merck & Co. Inc.	USA	USD	670,996	0.78
14,700	Otsuka Holdings Co. Ltd.	JPN	JPY	<u>611,897</u>	<u>0.71</u>
				<u>14,487,854</u>	<u>16.79</u>
	Real Estate Management & Development				
43,000	Daikyo Inc.	JPN	JPY	823,461	0.96
190,000	China Overseas Land & Investment Ltd.	CHN	HKD	<u>616,175</u>	<u>0.71</u>
				<u>1,439,636</u>	<u>1.67</u>
	Semiconductors & Semiconductor Equipment				
39,900	Intel Corp.	USA	USD	1,815,051	2.11
816,000	King Yuan Electronics Co. Ltd.	TWN	TWD	<u>865,147</u>	<u>1.00</u>
				<u>2,680,198</u>	<u>3.11</u>

The accompanying notes form an integral part of these financial statements

— Templeton Shariah Global Equity Fund —

SCHEDULE OF INVESTMENTS AS OF OCTOBER 31, 2017 (CONTINUED)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Software				
8,146	SAP SE	DEU	EUR	926,842	1.08
36,300	Capcom Co. Ltd.	JPN	JPY	916,760	1.06
				<u>1,843,602</u>	<u>2.14</u>
	Specialty Retail				
141,321	Kingfisher PLC	GBR	GBP	586,869	0.68
	Technology Hardware, Storage & Peripherals				
808	Samsung Electronics Co. Ltd.	KOR	KRW	1,990,208	2.31
5,150	Apple Inc.	USA	USD	870,556	1.01
71,900	Konica Minolta Inc.	JPN	JPY	624,888	0.72
28,820	Hewlett Packard Enterprise Co.	USA	USD	401,174	0.46
				<u>3,886,826</u>	<u>4.50</u>
	Textiles, Apparel & Luxury Goods				
41,500	Asics Corp.	JPN	JPY	630,458	0.73
	Trading Companies & Distributors				
18,101	Travis Perkins PLC	GBR	GBP	365,503	0.42
	TOTAL SHARES			<u>81,830,810</u>	<u>94.82</u>
	TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING			<u>81,830,810</u>	<u>94.82</u>
	TOTAL INVESTMENTS			<u>81,830,810</u>	<u>94.82</u>

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 Asian Growth 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 Directors 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 during year ended September 30 th 2017*	€21,383
Total amount of variable remuneration paid by FTIS during year ended September 30 th 2017	€6,391
Number of FTIS staff as at September 30 th 2017	145
Total amount of compensation paid by FTIS to Senior managers during year ended September 30 th 2017*	€7,827
Total amount paid by FTIS to other member of staff who have a material impact on the profile of UCITS during year ended September 30 th 2017*	€-

* The total amount of compensation paid by FTIS has been allocated to each UCITS based on their pro rata share of the average month end total net assets of FTIS for the period ended September 30, 2017.

FRANKLIN TEMPLETON INVESTMENTS OFFICE DIRECTORY

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

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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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