



FRANKLIN TEMPLETON SHARIAH FUNDS
Société d'investissement à capital variable
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Luxembourg, 14 May 2021

Dear Shareholders,

Amendment to the investment policy of Franklin Templeton Shariah Funds - Franklin Global Sukuk Fund

We would like to let you know that the board of directors (the "Board") of Franklin Templeton Shariah Funds (the "Company") has decided to amend the investment policy of the Franklin Global Sukuk Fund (the "Fund").

Why we are making these changes

These changes will enable the Fund to use financial derivative instruments for investment purposes, which may have an impact on the way the Fund is managed and on the allocation of its portfolio. The Board however does not expect this change to have any impact on the Fund's risk profile or SRRI. These will become effective as from 15 June 2021. Detailed descriptions of the revised investment policy are included in the Appendix of this letter.

What you need to do

You do not need to do anything if you are satisfied with the changes. You also have the option to switch your shares into other funds of the Company provided that such funds are available for distribution in your country. You may also request a redemption of your investment. Should you wish to proceed with either option, please refer to the latest Prospectus terms. Such requests of switch or redemption will be executed free of charge, provided that they are received at the latest by 15 June 2021. Please note that "free of any redemption charge" does not apply to the contingent deferred sales charge ("CDSC") for all classes subject to such CDSC, due to the nature of such fee.

Need more information?

Your dedicated Franklin Templeton Client Services Team will be happy to help with any general questions about Franklin Templeton. However, if you need advice about your investment please speak to a financial adviser.

Best Regards,

Craig Blair, Conducting Officer of Franklin Templeton International Services S.à r.l.
Management Company of Franklin Templeton Shariah Funds

APPENDIX

New investment policy definition effective as from 15 June 2021

Investment Policy

The Fund seeks to achieve this objective by investing principally in a portfolio of fixed- and floating-rate Shariah-compliant securities (including non-investment grade securities), ~~including Sukuk al-Ijara and Sukuk al-Wakala~~ issued by government, government-related and corporate entities located in developed and developing countries. ~~The Fund will also invest up to 40% of its net assets in short term instruments including Murabaha placements~~

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, in accordance with its investment policy and the Shariah Guidelines, invest in securities or financial derivative instruments for hedging ~~purpose only~~, **efficient portfolio management and/or investment purposes** in which the underlying security is linked to or derives its value from a distinct security, asset, commodity or currency of any nation. **These financial derivative instruments include but are not limited to Sharia compliant swaps (including but not limited to profit rate swaps, credit default swaps or total return swaps), as well as Sharia compliant currency forwards, and other over the counter (OTC) Sharia compliant hedging instruments.** The Fund may invest in Sukuk instruments issued by any corporate, sovereign, or supranational entity, and may be backed by or derive its value from any asset, tangible or otherwise, including mortgages. **The Fund may also invest in short term instruments including Murabaha placements and up to 20% of its net assets in Sharia compliant credit linked notes or structured products.**

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. The Fund may purchase securities denominated in any currency.

The Fund may also make distribution from capital, net realised and net unrealised capital gains as well as income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital.

Exposure to total return swaps

The expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 20%."

As a consequence of the above, please note that "Structured Notes risk" will be added to the risk considerations of the Fund.

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The above changes are reflected in an updated version of the prospectus available online or at the registered office of the Company. All other features of the Fund remain the same.