



**FRANKLIN  
TEMPLETON**

FRANKLIN TEMPLETON SHARIAH FUNDS  
Société d'investissement à capital variable

Registered office:  
8A, rue Albert Borschette L-1246 Luxembourg  
R.C.S. Luxembourg B 169 965

Luxembourg, 30 June 2020

**Subject: Increase of the maximum level of Swing Pricing factor**

Dear Shareholder,

The purpose of this letter is to inform you that, in light of the considerable impact and current exceptional market circumstances involved by the propagation of the Coronavirus (COVID-19), the board of directors of the Luxembourg SICAV Franklin Templeton Shariah Funds (the “**Company**”) decided that, on a temporary basis and in order to protect the best interest of the Company shareholders, the swing factor applied to the Company’s funds could be increased beyond this 2% limit. This may be necessary in order to ensure the increased costs of trading experienced at this time (due to the exceptional market conditions) are captured in the swing factor, in order to protect investors in the fund from additional dilution impact.

About Swing Pricing

Large transactions in and out of a fund may cause the fund manager to buy or sell the underlying investments of the fund thereby attracting dealing costs which are borne by the shareholders in that fund. As a result, long-term shareholders in a fund can be adversely affected by other shareholders trading in and out of the fund. This effect is known as dilution.

Swing pricing is a mechanism introduced to reduce dilution and protect ongoing shareholders. It aims to ensure that shareholders subscribing or redeeming from a fund bear a portion of the trading costs associated with their activity, i.e. the underlying spreads and transactions costs.

About Swing factor

The swing pricing protection will only activate over a certain level of net shareholder activity (i.e. all shareholder deals in aggregate), assessed on a daily basis as a percentage of the fund’s net assets. In that case, a basis point adjustment, known as the swing factor, is applied to adjust the net asset value of the fund (up where there are net inflows or down in the case where there are net outflows). The swing factor is an estimate of the “costs” of trading which takes into account spreads, transactions costs and relevant taxes.

While the Company’s prospectus states that no swing adjustment will exceed 2% of the original net asset value of a fund, it may be deemed necessary to temporarily apply a greater swing factor percentage to the fund in order to more accurately capture the level of trading costs generated by recent unusual large shareholders trading activities.

If you require further information please do not hesitate to contact your local Franklin Templeton office or your financial adviser.

Yours sincerely,

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