

This letter is important and requires your immediate attention.

**If you are in any doubt about the contents of this letter,
you should seek independent professional advice.**

Hong Kong, 31 January 2020

Dear Investor,

Franklin Floating Rate Fund plc (the “Company”)

- Amendments to reflect requirements under the revised Code on Unit Trusts and Mutual Funds

This letter is intended for investors who hold shares of the Company via an account with (i) Franklin Templeton Investments (Asia) Limited (the “**Hong Kong Representative**”) or (ii) a duly authorized intermediary for the Hong Kong market (collectively, “**Investors**”).

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Hong Kong Prospectus dated December 2019 of the Company (the “**Prospectus**”).

The purpose of this letter is to inform Investors of certain changes to the Company and the Franklin Floating Rate Master Trust (the “**Master Fund**”).

A. Background

The Company and the Master Fund are subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Prospectus has been amended, with effect from 20 December 2019, to reflect the requirements under the revised Code. Investors are assured that the changes, as summarised below, are not expected to materially prejudice your rights or interests as Shareholders of the Company. There will be no material change or increase in the overall risk profile of the Master Fund or the Company, and no change to the operation and/or the manner in which the Master Fund and the Company are being managed.

B. Changes pursuant to the revised Code

The following key changes (“**Changes**”) have been made to the Prospectus to reflect the requirements under the revised Code:

- (1) Amendments to **the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code**, including but not limited to the following: spread of investments, commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral, etc.

A summary of the key revised investment restrictions and requirements pursuant to the revised Code are set out in Annexure A enclosed with this letter.

Information on the net derivative exposure of the Company and the Master Fund calculated in accordance with the requirements and guidance issued by the SFC is set out in Annexure B enclosed with this letter.

- (2) Enhanced disclosures relating to **securities financing transactions**.
- (3) Enhanced disclosures relating to **collateral policy**.
- (4) Amendments to reflect the requirements under the revised Code on **transactions with connected persons**.
- (5) Enhanced disclosures on **arrangements in handling unclaimed proceeds** of Shareholders in the event the Company is terminated.

C. Other miscellaneous updates

Apart from the Changes that have been made pursuant to the revised Code, certain miscellaneous updates have also been made to the Prospectus. Please refer to the Prospectus for details.

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The changes set out in this letter are not expected to give rise to any change in the fee level or fee structure of the Master Fund or the Company, or any additional costs and expenses for the shareholders of the Master Fund or the Company (other than the cost of publishing this letter, which is estimated to be approximately HKD 10,000 and which will be charged to the Company). Any additional costs and expenses arising from the changes will be borne by the AIFM.

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The AIFM and the Board of Directors accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

The Prospectus and the product key facts statement of the Company are available for download from the Hong Kong Representative's website at www.franklintempleton.com.hk¹, as well as from the office of the Hong Kong Representative.

If you require further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,
Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
As Hong Kong Representative of the Company

¹ The information in the website has not been reviewed by the Securities and Futures Commission.

ANNEXURE A

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) The aggregate value of the Master Fund's investments in, or exposure to, any single entity (other than government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) Subject to the requirements under the revised Code, the aggregate value of the Master Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) The value of the Master Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) The Master Fund may not invest in physical commodities unless otherwise approved by the SFC.
- (e) The Company which is a feeder fund may invest 90% or more (instead of all) of its latest available Net Asset Value in a single collective investment scheme.
- (f) The investment by the Master Fund in a Qualified Exchange Traded Fund will be considered and treated as investments in underlying schemes subject to relevant limits under the revised Code, which shall be consistently applied.
- (g) Subject to the requirements under the revised Code, the Master Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (h) The Master Fund may acquire financial derivative instruments for hedging purposes.
- (i) The Master Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the Master Fund's

net exposure relating to these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value.

Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

- (j) The Master Fund, when engaging in securities financing transactions (i.e. securities lending, sale and repurchase and reverse repurchase transactions), should have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure no uncollateralized counterparty risk exposure. All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, should be returned to the Master Fund.
- (k) To limit the exposure to each counterparty, the Master Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code.

ANNEXURE B

INFORMATION ON NET DERIVATIVE EXPOSURE

The net derivative exposure is calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Company and the Master Fund are converted into their equivalent positions in their underlying assets.

The Company and the Master Fund may acquire financial derivative instruments for hedging and investment purposes subject to the limit set out below:

Fund	Net derivative exposure (% of Net Asset Value)
Franklin Floating Rate Fund Plc.	Up to 50%
Franklin Floating Rate Master Trust	Up to 50%

此乃重要文件，須即時留意。

如閣下對本信件的内容有任何疑問，
請諮詢獨立專業人士意見。

敬啟者：

富蘭克林浮動息率基金（「本公司」）

- 為反映經修訂《單位信託及互惠基金守則》的規定所作之修訂

本信件適用於通過 (i) 富蘭克林鄧普頓投資（亞洲）有限公司（「香港代表」）或 (ii) 香港市場的正式授權中介人賬戶而持有本公司之股份的投資者（合稱，「投資者」）。

除另有規定外，本信件內所用的詞語與本公司日期為 2019 年 12 月的香港基金認購章程（「基金認購章程」）所界定者具相同涵義。

本信件的目的是要通知投資者有關本公司及富蘭克林浮動息率母信託基金（「母基金」）的若干變更。

A. 背景

本公司及母基金受香港證券及期貨事務監察委員會（「證監會」）頒佈的《單位信託及互惠基金守則》（「守則」）規限。守則已作出修訂。由 2019 年 12 月 20 日起，基金認購章程已作出修訂，以反映經修訂守則的規定。投資者請放心，變更（概述如下）預計將不會對閣下作為本公司的股東之權利或利益造成重大不利影響。母基金或本公司的整體風險水平將不會出現重大變動或上升，及母基金和本公司的營運及／或現時管理方式亦不會改變。

B. 根據經修訂守則所作的變更

基金認購章程已作出以下主要變更（「變更」），以反映經修訂守則的規定：

- (1) 根據經修訂守則第 7 章作出的投資限制及禁令之核心要求的修訂，包括但不限於：投資範圍、商品、貸款限制、借款限制、金融衍生工具、證券融資交易及抵押品等。

根據經修訂守則而作出的主要經修訂投資限制之概述載於本信件附錄 A。

有關本公司及母基金根據證監會發佈的要求及指引計算的衍生工具風險承擔淨額的資料載於本信件附錄 B。

- (2) 有關證券融資交易的加強披露。
- (3) 有關抵押品政策的加強披露。
- (4) 反映經修訂守則下有關關聯人士交易的規定之修訂。
- (5) 有關本公司被終止情況下處理股東未領款項的安排之加強披露。

C. 其他雜項更新

除根據經修訂守則所作的變更外，基金認購章程亦已作出若干雜項更新。詳情請參閱基金認購章程。

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本信件所載之變更預計將不會導致母基金或本公司的收費水平或收費結構發生任何變化，或導致母基金或本公司的股東承擔任何額外費用及開支（刊發本信件的費用除外，該費用預計約為10,000 港元，將由本公司承擔）。此等變更產生的任何其他費用及開支將由AIFM承擔。

* * * * *

AIFM及董事會就本信件的内容截至本信件印刷日的準確性承擔全部責任，並已作出一切合理查詢後，確認就其所知及所信，並無遺漏其他事實致使本文件所載任何陳述產生誤導。

本公司的基金認購章程及產品資料概要可於香港代表網站www.franklintempleton.com.hk¹下載，及可於香港代表辦事處取得。

如閣下需要進一步資料，請聯絡閣下的投資顧問或致電我們的投資者熱線 +852 2805 0111或聯絡香港代表（香港中環干諾道中8號遮打大廈17樓）。如閣下不是香港市場的正式授權中介人，您不需要將此信轉發給您的最終客戶。

富蘭克林鄧普頓投資(亞洲)有限公司
Franklin Templeton Investments (Asia) Limited
作為本公司的香港代表

香港，2020年1月31日

¹網頁資料未經證券及期貨事務監察委員會審核。

附錄 A

主要經修訂投資限制之概述

投資限制的主要修訂如下：

- (a) 母基金通過以下方式對任何單一實體（政府及其他公共證券除外）投資或持倉的總價值不可超過最新資產淨值的 10%：
 - (i) 投資於該實體發行的證券；
 - (ii) 通過金融衍生工具的相關資產投資於該實體；及
 - (iii) 場外金融衍生工具交易導致的對該實體的交易對手淨風險承擔。
- (b) 根據經修訂守則的規定，母基金通過以下方式對同一集團內實體（一般而言，指根據國際公認會計準則編製合併財務報表而被列入同一集團內的實體）投資或持倉的總價值不可超過其最新資產淨值的 20%：
 - (i) 投資於該等實體發行的證券；
 - (ii) 通過金融衍生工具的相關資產投資於該等實體；及
 - (iii) 場外金融衍生工具交易導致的對該等實體的交易對手淨風險承擔。
- (c) 母基金在同一實體或同一集團內的實體中存入的現金存款價值不可超過其最新資產淨值的 20%，惟在經修訂守則訂明的若干情況下可超過 20% 上限。
- (d) 母基金不可投資於實物商品，除非獲證監會另行批准。
- (e) 本公司屬於聯接基金，可將其最新資產淨值的 90% 或以上（而非全部）投資於單一集體投資計劃。
- (f) 母基金於合資格交易所買賣基金中的投資將被視為於相關計劃的投資，惟須符合經修訂守則下的相關投資限額，且其應始終適用。
- (g) 在經修訂守則規定的規限下，母基金不可借出、承擔、擔保、背書任何人士的任何義務或債務或以其他方式直接或或然對其負責或與之相關。為免存疑，符合經修訂守則規定的反向回購交易不受本段的限制規限。
- (h) 母基金可出於對沖目的而購買金融衍生工具。
- (i) 母基金亦可出於非對沖目的而根據其投資目標及政策購買金融衍生工具，但母基金與該等金融衍生工具有關的風險承擔淨額（「**衍生工具風險承擔淨額**」）不得超過其最新資產淨值的 50%。

衍生工具風險承擔淨額應根據守則及證監會發佈的要求及指引（可能不時更新）進行計算。為免存疑，只要此對沖安排沒有剩餘的衍生工具風險承擔，為對沖目的購買的金融衍生工具不會計入 50%限制。

- (j) 若從事證券融資交易（即證券借貸、出售和回購及反向回購交易），母基金就其進行的證券融資交易應至少有 100%的抵押品，以確保該等交易不會產生無抵押交易對手風險。證券融資交易產生的所有收入，在扣除直接及間接費用作為對證券融資交易中提供服務的合理及正常報酬後，應歸還母基金。
- (k) 為了限制每個交易對手的風險，母基金可從有關交易對手收取抵押品，但抵押品須符合經修訂守則的要求。

附錄 B

有關衍生工具風險承擔淨額的資料

衍生工具風險承擔淨額乃根據守則及證監會頒佈的要求及指引（可能不時更新）計算。在計算衍生工具風險承擔淨額時，出於投資目的而購買、會在本公司及母基金的投資組合層面增加槓桿的衍生工具，將被轉換為其相關資產中的等值風險承擔。

本公司及母基金可購買金融衍生工具作對沖及投資用途，惟須符合以下限額：

基金	衍生工具風險承擔淨額 (資產淨值的百分比)
富蘭克林浮動息率基金	最高達 50%
富蘭克林浮動息率母信託基金	最高達 50%