

### Performance Review

- Fixed income markets generally declined in April, led lower by government bond indices, while equities advanced. The Sukuk market moved higher amid spread compression. Factors that influenced markets globally included the accommodative policies of major central banks and better-than-expected economic data from the United States, China and the eurozone.
- For the month, the fund's A (acc) USD shares returned 0,60%, and its benchmark, the Dow Jones Sukuk Index, returned 0,62%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	—	—	Sovereigns, quasi-sovereigns, corporate industrials (Security Selection)
	—	—	Supranational sector Underweight (Asset Allocation)
	—	—	—
HURT	—	US-dollar duration Overweight exposure	Corporate industrials sector Overweight (Asset Allocation)
	—	—	Local-currency sovereigns Off-benchmark exposure (Asset Allocation)
	—	—	—

- The fund's US-dollar duration overweight exposure detracted from yield-curve effects.
- Asset allocation also detracted; the top-performing sectors were the sovereign and quasi-sovereign sectors, where the fund is underweight. In addition, the fund's overweight to industrials had a negative impact, as this sector was relatively weak. Off-benchmark exposure to local-currency sovereigns was another modest detractor.
- Security selection offset some of these detractions through contributions from several sectors. Individual contributors included Malaysia (sovereign), Saudi Electricity Company (quasi-sovereign) and Dana Gas (industrials).

### Outlook & Strategy

- The first quarter of 2019 was positive for many 'risk' asset classes, and Sukuk continued to perform into April, whereas emerging market bonds overall produced a more modest performance during the month.
- Investment markets remain strongly receptive to new issuance, as investors continue to allocate to the Gulf Cooperation Council region in particular.
- Looking forward, we remain constructive on many of the drivers that have produced the positive results year-to-date. We have, however, started to reduce risk and adopt a more cautious stance, as valuations appear less attractive after the strong start to the year.
- We expect crude oil prices to be supported in the near term, but note that the technical backdrop is deteriorating, with shorts being built and inventories increasing. We also see US-dollar strength in the first quarter of 2019 as somewhat perplexing, given the strength of 'risk' assets generally. We view the disconnect between rates and foreign currency markets with caution. A strong US dollar can have adverse consequences for emerging markets.
- We also remain mindful of other risks and issues that could unsettle Sukuk markets, including reduction in the pace of fiscal reforms in key markets, though still find the outlook for the remainder of the year to be a positive one.
- The typically slower activity during Ramadan and the summer may prove supportive for Sukuk markets, although if volatility or issuance reappear, they are likely to provide us with fresh opportunities.

### Fund Details

Inception Date	10.09.2012
Benchmark	Dow Jones Sukuk Index

### Fund Description

The fund aims to maximise, consistent with prudent investment management, total investment returns, consisting of a combination of profit income and capital appreciation, by investing principally in a portfolio of fixed- and floating-rate Shariah-compliant securities (including non-investment grade securities), including Sukuk, Murabaha and Wakala placements, and other short-term instruments issued by government, government-related and corporate entities located in developed and developing countries.

## Performance Data

### Discrete Annual Performance (%) as at 30.04.2019

	4/18-4/19	4/17-4/18	4/16-4/17	4/15-4/16	4/14-4/15
A (acc) USD	4,56	1,82	-1,08	1,09	2,23
Dow Jones Sukuk Index USD	6,42	0,23	3,47	2,44	5,33

### Performance Net of Management Fees as at 30.04.2019 (Dividends Reinvested) (%)<sup>1,2</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (10.09.2012)
A (acc) USD	0,60	3,17	4,84	4,56	1,74	1,71	2,40
Dow Jones Sukuk Index	0,62	2,84	4,39	6,42	3,34	3,56	3,41

## Investment Team

**Mohieddine (Dino) Kronfol**  
 Years with Firm 12  
 Years Experience 23

**Sharif Eid**  
 Years with Firm 10  
 Years Experience 12

### What Are the Key Risks?

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. The Fund invests mainly in Shariah-compliant debt securities, including Sukuk and short-term instruments of any quality issued by entities located in developed and emerging markets. Such securities have historically been subject to price movements, generally due to the supply and demand for financing, other market factors or movements in the Sukuk market. As a result, the performance of the Fund can fluctuate moderately over time. Other significant risks include: emerging markets risk, derivatives risk, counterparty risk, liquidity risk, Sukuk risk, Shariah compliance risk. For full details of all of the risks applicable to this Fund, please refer to the section "Risk Considerations" of the Fund in the current prospectus of Franklin Templeton Shariah Funds.

### Important Legal Information

This document does not constitute legal or tax advice nor is it investment advice or an offer for shares of Franklin Templeton Shariah Funds (the "Fund"). Subscriptions to shares of the Fund can only be made on the basis of the current prospectus and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report accessible on our website [www.ftidocuments.com](http://www.ftidocuments.com) or which can be obtained, free of charge, from Franklin Templeton International Services, S.à r.l. - 8A, rue Albert Borschette, L-1246 Luxembourg.

**Past performance is not an indicator or a guarantee of future performance.** The value of shares in the Fund and income received from it can go down as well as up, and investors may not get back the full amount invested. Investment in the Fund entails risks which are described in the Fund's prospectus and, where available, in the relevant Key Investor Information Document or any other relevant offering document. Special risks may be associated with a Fund's investment in certain types of securities, asset classes, sectors, markets, currencies or countries and in the Fund's possible use of derivatives. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holdings at any one time. Currency fluctuations may affect the value of overseas investments. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations. Where a Fund invests in emerging markets, this investment can be more risky than an investment in developed markets. No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America. 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. The International Shariah Supervisory Board of Amanie Advisors Sdn Bhd has certified that the Fund is in compliance with the requirements of the Shariah principles.

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

An index is unmanaged and one cannot invest directly in an index. The performance of the index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund.

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1. Source for all information is Franklin Templeton Investments. Benchmark related data provided by FactSet. Past performance is not an indicator or a guarantee of future performance. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.

2. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.

