

Fund Commentary

Performance Review

- The global equity market overall advanced in April 2019, supported by the accommodative policies of major central banks and better-than-expected economic data from the United States, China and the eurozone. Additionally, corporate earnings reports from certain sectors were perceived favourably.
- For the month, the fund's A (acc) USD shares returned -0,32%, and its benchmark, the MSCI AC World Islamic Index, returned 1,28%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	A.P. Moller - Maersk A/S Class B	Industrials (Stock Selection)	Denmark (Overweight)
	NXP Semiconductors NV	—	Netherlands
	Compagnie de Saint-Gobain SA	—	Singapore (Overweight)
Hurt	Ryohin Keikaku Co., Ltd.	Health Care (Stock Selection, Overweight)	Japan (Stock Selection)
	Takeda Pharmaceutical Co. Ltd.	Consumer Staples (Stock Selection)	South Korea (Stock Selection)
	Lotte Chemical Corp.	Consumer Discretionary (Underweight)	China (Stock Selection, Overweight)

- In April, Ryohin Keikaku, a Japan-based manufacturer and retailer of the “MUJI” brand, impaired relative fund results. The company has a differentiated concept with high brand awareness in Japan that is beginning to spread abroad. The growth outlook remains strong, as the brand continues to gain market share in its key markets of Japan and China, while also expanding store count in the East Asia and Western regions.
- Shares of Japanese pharmaceuticals manufacturer Takeda Pharmaceutical declined after the firm cut profit guidance (though it raised its sales outlook) after detailing the costs associated with a US\$62 billion takeover of UK biotechnology specialist Shire. As we discussed last quarter, we believe Takeda bought Shire (and its attractive rare disease treatment business) at a favourable price—especially after considering the synergies of the deal—and see scope for significant margin improvement in the combined group over our investment horizon.
- The stock price of AP Moeller-Maersk rallied after the firm's newly listed energy drilling business increased significantly in value, vindicating the firm's strategy of unlocking shareholder value by divesting non-core assets. While Maersk is no longer an outright bargain, in our view, its valuation has remained undemanding and we have continued to hold the stock.

Outlook & Strategy

- Investors frustrated by the market's seeming disregard of fundamental value could be forgiven for concluding that the rules of finance and economics have changed. Valuations seem to no longer matter; one-fifth of the global sovereign bond market has traded at negative yields, and financial assets like equities have traded near all-time highs relative to real assets like commodities. Volatility is presumed dead, as evidenced by the largest net short position on record in Cboe Volatility Index (VIX) futures at the end of April.
- A market that pays no heed to fundamentals creates challenges for value investors, and a market that rewards indiscriminate, index-level exposure creates challenges for active stockpickers. The question for investors is who will ultimately win this tug of war between central planning and free market capitalism. If market-based principles ultimately prevail as they have in the past, fundamental value investors should be well-positioned to eventually benefit from the significant opportunities and irregularities evident in financial markets today.

Fund Details

Inception Date	10.09.2012
Benchmark	MSCI AC World Islamic Index

Fund Description

The fund seeks capital appreciation by investing principally in Shariah-compliant equity and equity-related securities including common stocks of companies located anywhere in the world, including emerging markets.

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	-7,98	12,44	13,46	-11,20	-3,83
MSCI AC World Islamic Index USD	2,78	13,86	11,41	-4,99	3,43

Performance Net of Management Fees as at 30.04.2019 (Dividends Reinvested) (%)^{1,2}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (10.09.2012)
A (acc) USD	-0,32	2,03	8,65	-7,98	5,49	0,05	3,50
MSCI AC World Islamic Index	1,28	5,76	13,56	2,78	9,25	5,08	7,67

Investment Team

Alan Chua, CFA

Years with Firm 18

Years Experience 29

Peter Wilmshurst, CFA

Years with Firm 21

Years Experience 26

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 equity and equity-related securities of companies around the world. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably over time. Other significant risks include: emerging markets risk, currency risk, liquidity 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 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.

