

PERSPECTIVES FROM FRANKLIN TEMPLETON'S FIXED INCOME TEAM

- **Politics take center stage**
- **U.S. productivity soared ahead of rivals'**
- **Deficits hang over government bonds**
- **European outlook**

Franklin Templeton's Fixed Income Team



CHRIS MOLUMPHY



MIKE MATERASSO



ROGER BAYSTON



MICHAEL HASENSTAB



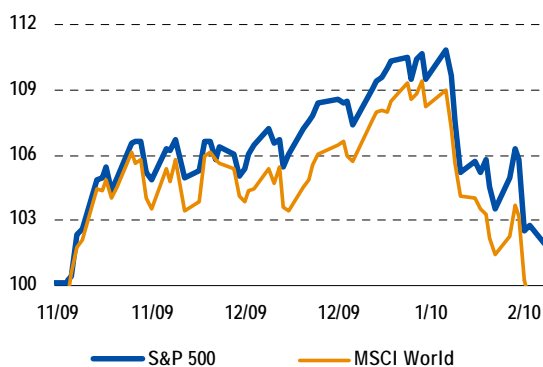
JOHN BECK

POLITICS TAKE CENTER STAGE

According to a first reading, the U.S. economy expanded at a seemingly blistering pace in the final quarter of 2009. Though liable to revision, the economy grew at an estimated annualized rate of 5.7% according to the U.S. Department of Commerce.

Yet the markets failed to be stirred by indications that the American economy began to recover rapidly. Instead, the long rally that commenced in March 2009 seemed to peter out or even go into reverse as we moved further into 2010. Equities actually fell in the hours following the GDP announcement, and benchmark U.S. Treasury yields rose only slightly. Signs that a recovery in the jobs market is not as strong as some might have hoped may be one reason for the brake on equities. The markets may not have liked the fact that much of the GDP growth was driven by slower inventory liquidation rather than consumer spending. A strong recovery has already been priced into financial assets, leaving the market looking for another catalyst to determine its future direction.

CHART 1: Equity indexes, Nov. 2, 2009–Feb. 9, 2010



Source: Indexes

Alas, that catalyst may be turning out to be politics rather than economic fundamentals. In late January, the banking industry in the U.S.

and beyond was thrown into turmoil when President Barack Obama proposed the most far-reaching overhaul of Wall Street since the Glass-Steagall Act of the 1930s. Among the measures that the Obama administration wants to introduce are mechanisms to ensure that banks do not become "too big to fail", a ban on proprietary trading by banks that take deposits insured by the U.S. government, and limits on their involvement in hedge funds and private equity. The proposed reforms will undoubtedly be watered down as they wind their way through the U.S. Senate. Still we believe, that these reforms could, potentially, force the restructuring of some of the biggest names in U.S. finance.

The Obama administration's proposals are seen by many as a response to public rage over the financial crisis and symbolize politicians' renewed willingness to rein in an industry where "deregulation" had previously been the order of the day. Deregulation encompassed the dismantling of the Glass-Steagall Act in 1999 and the so-called "Big Bang" in the UK financial sector in 1988. That era would now seem to be over and many—even some bankers—accept that some sort of regulatory reform of the banking industry looks inevitable.

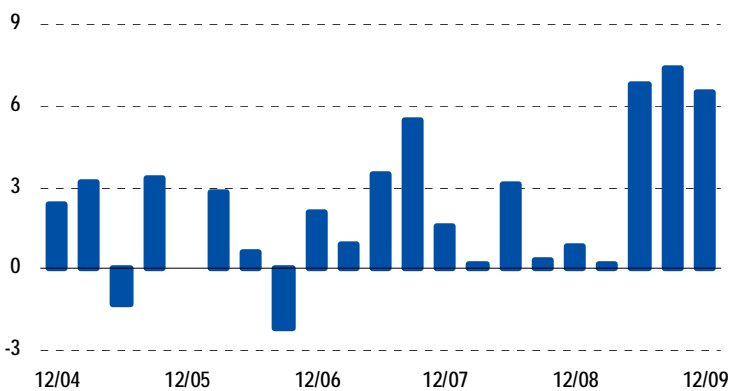
Nonetheless, debate rages about the merits of the reforms proposed by the Obama administration, and some see them as yet another illustration of rising political populism. This populism has already been evident in efforts to expose more of the Federal Reserve's activities to congressional scrutiny. With important elections in both the U.S. and UK this year, political pressure on the financial industry is likely to be maintained. The ongoing deleveraging of the banking industry—whether imposed by the government or by the markets—may turn out to be more positive for bond holders than for equity holders. But the return of regulatory risk may have unintended consequences and negative repercussions for the wider economy.

U.S. PRODUCTIVITY SOARED AHEAD OF RIVALS'

Populism could come to the fore in another form if the recovery in the U.S. continues along its current path. The economic rebound in the U.S. has been much more vigorous than in either Europe or Japan. The eurozone as a whole recorded annual growth of 1.6% in the third quarter compared to the U.S.'s 2.2%, and it looks highly unlikely that Europe could match the initial U.S. reading of 5.7% for the fourth quarter. Growth this year is projected to confirm the gap between the U.S. and its industrialized rivals. The International Monetary Fund (IMF) in January more than doubled its forecast for U.S. growth in 2010 to 2.7% (from 1.2% in its October 2009 forecast). By comparison, the IMF expects the eurozone to record GDP growth of 1.0% this year and Japan to see growth of 1.7%.

We believe there is nothing particularly surprising about America's superior growth prospects. Looser job legislation means that U.S. employment traditionally adjusts much faster to downturns than that in Europe. Cyclical growth (as opposed to structural growth) proved to be much stronger in the U.S. at the end of recessions in 1982, 1990–1991 and 2002–2003.

CHART 2: Quarter-on-quarter changes in U.S. output per hour, 2005–2009



Swift adjustments in employment have ensured that labor productivity (i.e., output per hours worked) has surged ahead in the U.S. but fallen in Europe. Nonfarm productivity rose at an annual rate of 8.1% in the U.S. in the third quarter and again by 6.2% in the fourth, according to the Bureau of Labor Statistics (BLS). Overall, the BLS found that U.S. productivity had risen by 5.1% in the past four quarters—the fastest rate since 2001. By contrast, the Conference Board estimates that output per hour worked fell by 1% in the eurozone during 2009.

Increases in output rather than hours worked explain the large rise in U.S. productivity. And the rise in productivity, in turn, has led to a fall in unit labor costs. In short, American companies have been able to increase the amount of goods and services produced by their employees without facing much in the way of wage pressure, since the unemployment rate has remained high.

Assuming that recovery continues, companies may soon find it hard to continue registering gains in output approaching 2009 figures without adding to the number of hours worked, the number of workers, or both. Fourth-quarter productivity figures already show the first increase in the number of hours worked since mid-2007. But hiring has been proving much slower than many thought. Although the unemployment rate came down in January, recent jobless claims figures have disappointed economists, as have nonfarm payroll figures.

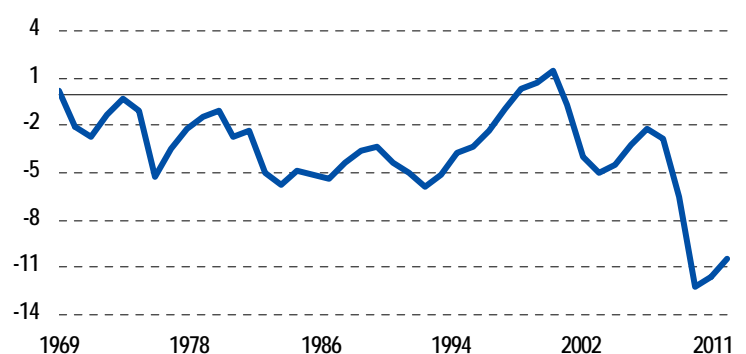
For the moment, it would seem that rising productivity continues to help companies put off adding jobs. Perhaps a "virtuous cycle" of strong corporate earnings, renewed employment gains and growing consumer spending may soon kick in. But if not, we believe gains of over 6% in the output of corporate America, with little in the way of wage or job growth, will not sit lightly with politicians as the U.S. approaches congressional elections in November.

DEFICITS HANG OVER GOVERNMENT BONDS

Throughout the developed world, governments have accumulated growing deficits to fight the financial crisis. The consequences of fiscal largesse are now being reflected in increased volatility in some sovereign bond markets—notably in Europe (*see below*). "Bond vigilantes" are on the prowl, significantly pushing up the cost of borrowing for countries considered to be especially profligate or without credible plans to reduce their deficits.

Although it is unlikely that the U.S. will be hauled over the coals in quite the same way Greece has been, investors in U.S. Treasuries may not have appreciated the Obama administration's budget proposals presented to Congress on February 1. The proposals included a US\$1.56 trillion deficit for the current fiscal year, to be followed by a further US\$1.27 trillion shortfall in 2011. With the U.S. economy still not out the woods yet, leaving the government to plug demand gaps, a reasonable case can be made for running a large federal deficit. But the fact remains that the 2010 deficit may be equivalent to 10.6% of GDP, up from 9.9% in 2009. Thereafter, the deficit is projected by the Obama administration to fall to 5% by 2015. By contrast, Greece's government has been pressured into agreeing to reduce its budget deficit from 12.7% last year to 8.7% this year and below 3% in 2012.

CHART 3: General U.S. Government Financial Balance as a % of GDP 1969–2011 (forecast)



Source: OECD

In response to the U.S. budget plans, Moody's Investors Service warned that the country's "AAA" sovereign credit rating would come under pressure unless economic growth was more robust than expected or tougher action was taken to tackle the budget deficit. The UK has come under pressure from the ratings agencies for similar reasons. Government bond markets in both countries enjoyed support during 2009 from their central banks, which bought government debt to inject more money into these floundering economies. But the Bank of England announced at the beginning of February that it was suspending its quantitative easing program, even as Britain is forecast to sell some £220 billion worth of gilts (government bonds) in the current financial year. The Fed has already stopped buying Treasuries—an intervention program that was less pronounced than that in the UK—just as the U.S. issues new debt to cover the projected deficit.

EUROPEAN OUTLOOK

Relative optimism about prospects for Europe's recovery has been increasing, although recovery appeared to lose steam in a number of countries, notably Germany, during the final quarter of 2009.

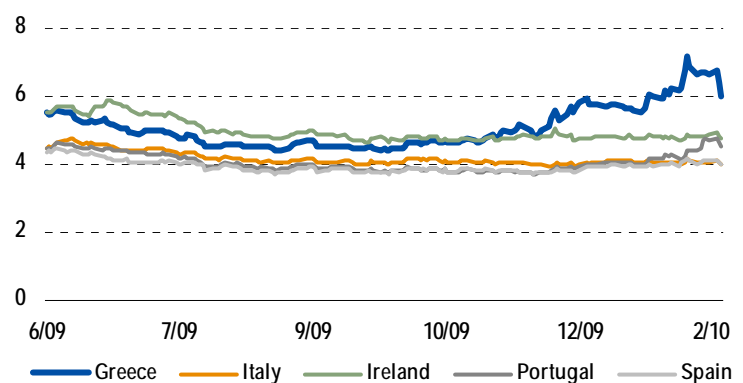
Lagging both France and Germany, the UK officially emerged from recession in the fourth quarter of 2009, albeit with a quarter-on-quarter GDP growth rate of just 0.1%—well below expectations. Boosted by exports, German business confidence levels rose for a 10th successive month in January. The Berlin government revised up its 2010 growth forecast from 1.2% to 1.4%, while the authorities in France expect a similar rate of expansion. The European Commission's "economic sentiment" indicator rose for a 10th consecutive month, while manufacturing activity in Europe, as measured by purchasing manager surveys, continues to indicate expansion.

And yet nagging doubts remain. While consumer spending in France appears to be relatively robust, consumer confidence and spending remains in the doldrums in Germany, as the country's generous "cash-for-clunkers" scheme and short-time working subsidies come to an end. In fact, a survey compiled by Markit showed a dip in the rate of recovery of private-sector activity throughout the eurozone in January, although the survey also suggested that activity continued to expand. More worryingly still for recovery prospects, bank lending to eurozone businesses has been contracting at an increasingly rapid pace; it was down by an annual rate of 2.3% in December, according to the European Central Bank (ECB). Despite the recent growth in corporate bond issuance, European companies remain more dependent on bank credit than their American counterparts. Thus, a contraction in bank lending may point to a significant constraint, among many others, on the pace of recovery in Europe this year.

In the meantime, Greece's debt problems continue to fester and have renewed investors' scrutiny of other eurozone economies with mounting debt problems and declining competitiveness—most notably Spain and Portugal. However we believe, fears of a

possible Greek sovereign debt default may be overstated. There is a distinct possibility Greece will receive European Union (EU) support in one form or the other. At time of writing, Germany appeared to be taking the lead in a plan to offer loan guarantees to Greece and other troubled eurozone members. True, such support would also set a dangerous precedent for potential bailouts of other eurozone countries whose fiscal policies prove unsustainable. But at the same time, Greece looks unlikely to be able to continue as a "free loader" in the eurozone: market discipline and pressure from other eurozone states may well force Greece to right its finances in quick order, regardless of the social consequences. Indeed, Greek bond spreads over German bunds narrowed (however briefly) in early February after the European Commission backed plans from Greece to boost tax revenues and cut public spending—and the Commission also promised to keep implementation of these plans under close supervision. Greece could escape this supervision by deciding to leave the eurozone, but that presently seems highly unlikely since it would trigger a catastrophic rise in interest rates for Greece.

CHART 4: 10-year government bond yields, Dec., 1, 2009–Feb. 9, 2010



In light of the progressive recovery of the U.S. economy, as well as the debt problems of individual eurozone countries and long-term structural problems, the euro may remain weak against the U.S. dollar and even against UK sterling. By early February, the euro had dropped to its lowest level in more than seven months against the dollar, confirming our skepticism about the underpinnings of recent euro strength against the American currency. We believe there is further scope for the dollar and for UK sterling to gain ground on the euro as the Federal Reserve and Bank of England progressively exit quantitative easing programs this year. An orderly decline in the euro's value would be good news not just for embattled governments in southern Europe, but also for major exporters like Germany—although countries such as Spain and Greece must still find ways to address the underlying causes for their loss of competitiveness since joining the euro.

Europe's growing debt financing needs have also undoubtedly played a part in the euro's recent decline. Eurozone countries borrowed a record €110 billion in January alone. The rise in debt issuance may put upward pressure on yields. Fortunately, for the moment, UK and eurozone government bond supply has been met

by strong demand from commercial banks. Low base rates plus the decline in private-sector lending mean that banks have been happy to invest in government paper to benefit from the positive slope of the yield curve.

Despite market worries that any slackening in efforts to tackle underlying debt burdens could lead to a selloff of European government bonds, we have refrained from shortening the duration of European portfolios, we believe interest rates in Europe could remain low for longer than in other regions, and thus we have been building positions in longer-dated European government debt. Aside from the strong demand from commercial banks and continued strong global liquidity, we believe that growth in Europe could remain sluggish in 2010, thus preventing a resurgence in inflation. At the same time, low rates and an increasingly vulnerable currency mean that overweighted currency positions in non-eurozone currencies look increasingly favorable.

DISCLAIMER

This document is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of any of the Franklin Templeton Luxembourg-domiciled SICAVs. Nothing in this document should be construed as investment advice.

Franklin Templeton Investments have exercised professional care and diligence in the collection of information in this document. However, data from third party sources may have been used in its preparation and Franklin Templeton has not independently verified, validated or audited such data. Opinions expressed are the author's at publication date and they are subject to change without prior notice.

Any research and analysis contained in this document has been procured by Franklin Templeton Investments for its own purposes and is provided to you only incidentally. Franklin Templeton Investments shall not be liable to any user of this document or to any other person or entity for the inaccuracy of information or any errors or omissions in its contents, regardless of the cause of such inaccuracy, error or omission.

Issued by Franklin Templeton International Services S.A. – Professional of the Financial Sector under the supervision of the *Commission de Surveillance du Secteur Financier* – 26 Boulevard Royal L-2449 Luxembourg – Tel: +352-46 66 67-1 – Fax: +352-46 66 76.

U.S. MACROECONOMIC DATA

CONSENSUS ECONOMIC FORECASTS

% Year-Over-Year	2010	2011
Gross Domestic Product (GDP) ¹	2.7	2.9
Consumer Price Index (CPI) ¹	2.1	2.05
Core Personal Consumption Expenditures ¹	1.2	1.5
Non Residential Fixed Investment ²	1.4	6.2
Corporate Profits ²	17.6	7.6
% Average for the Year		
3-Month Treasury Bill ²	0.4	1.7
10-Year Treasury Note ¹	4.11	—
Unemployment Rate ¹	10	9

I. FINAL OUTPUT

Gross Domestic Product (GDP) ³	3Q:09	4Q:09	1Q(E) ¹	2Q(E) ¹
Q/Q ar (%)	2.2	5.7	2.7	2.8

II. ECONOMIC INPUTS

CONSUMPTION/FINAL DEMAND

Income/Savings ³	SEP 09	OCT 09	NOV 09	DEC 09
Consumer Spending, Y/Y (%)	-0.6	0.8	2.5	4.0
Personal Income, Y/Y (%)	-1.5	-1.0	-0.2	0.5
Savings Rate, (%)	4.8	4.6	4.5	4.8

Employment	OCT 09	NOV 09	DEC 09	JAN 10
Unemployment Rate (%) ⁴	10.1	10.0	10.0	9.7
Participation Rate (%) ⁴	65.0	64.9	64.6	64.7
Non-farm Payrolls (in thousands) ⁴	-224	64	-150	-20
Jobless Claims, 4-wk average (in thousands) ⁵	524	481	460	470

Housing ⁶	SEP 09	OCT 09	NOV 09	DEC 09
Existing Home Sales (in millions)	5.54	6.09	6.54	5.45
Y/Y Change (%)	8.6	23.3	44.1	15.0

III. INFLATION & PRODUCTIVITY

Inflation Indicators	SEP 09	OCT 09	NOV 09	DEC 09
Personal Consumption Expenditure (PCE), Y/Y (%) ³	-0.6	0.1	1.5	2.1
Core PCE, Y/Y (%) ³	1.2	1.4	1.4	1.5
Consumer Price Index (CPI), Y/Y (%) ³	-1.3	-0.2	1.8	2.7
Core CPI, Y/Y (%) ⁴	1.5	1.7	1.7	1.8
Producer Price Index (PPI), Y/Y (%) ⁴	-4.8	-1.9	2.4	4.4
Core Producer Prices, Y/Y (%) ⁴	1.8	0.7	1.2	0.9

Productivity ⁴	1Q:09	2Q:09	3Q:09	4Q:09
Productivity, Q/Q ar (%)	0.3	6.9	7.2	6.2
Unit Labor Costs, Q/Q ar (%)	-5.0	0.0	-1.5	-4.4

IV. FINANCIAL MARKETS

Valuation	DEC 09	JAN 10	FEB (E)	MAR (E)
P/E S&P 500 ⁷	19.29	18.4		
Fed Funds Rate ^{8,9}	0-0.25	0-0.25	0.14	0.15

V. BALANCE OF PAYMENTS

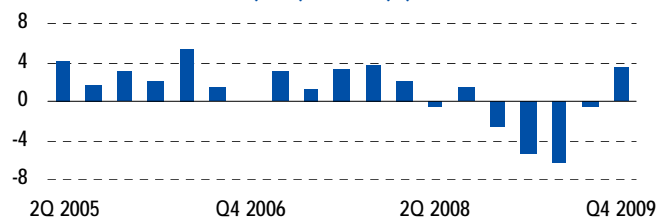
U.S. Monthly Trade Deficit ^{3,10}	SEP 09	OCT 09	NOV 09	DEC 09
(in USD billion)	-35.6	-33.2	-36.4	-40.2

U.S. Current Account Deficit	4Q:08	1Q:09	2Q:09	3Q:09
Quarterly (in USD billion) ³	-154.9	-104.5	-98.0	-108.0
Annualized (% GDP) ¹¹	-4.9	-4.5	-3.8	-3.3

1. Source: Bloomberg Economic Forecasts
 2. Source: Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, First Quarter 2010. Corporate profits forecast is after taxes.
 3. Source: Bureau of Economic Analysis
 4. Source: Bureau of Labor Statistics
 5. Source: Department of Labor
 6. Source: Copyright National Association of REALTORS®. Reprinted with permission.
 7. Source: Bloomberg. Corporate Earnings and P/E S&P 500 represented by Bloomberg's calculation of the earnings of S&P 500 Index components.

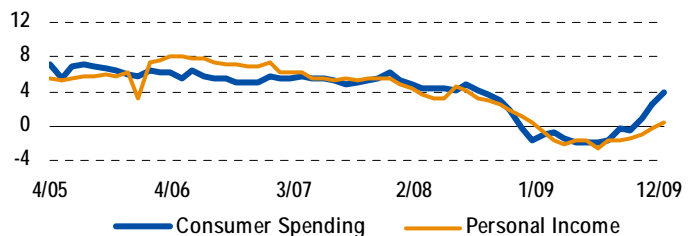
8. Source: Federal Reserve. At the Dec. 16th, 2008 meeting the Federal Reserve cut the main U.S. interest rate to "a target rate" between zero and 0.25.
 9. Source: Chicago Board of Trade (30-Day Federal Funds Futures Rate for February and March 2010), as of 1/31/10.
 10. Source: U.S. Census Bureau
 11. Source: Bloomberg Indices
Abbreviations: Q/Q ar: Quarter-on-Quarter annualized rate. Y/Y: Year-on-Year

Gross Domestic Product (GDP), Q/Q ar (%)



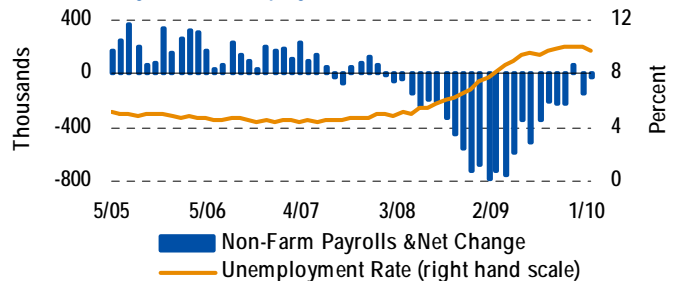
Source: Bureau of Economic Analysis, December 2009.

Personal Income & Expenditures, Y/Y (%)



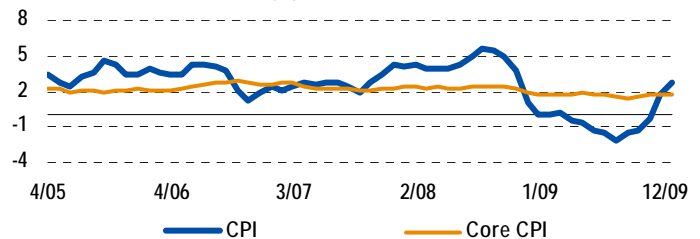
Source: Bureau of Economic Analysis, December 2009.

Non-farm Payrolls & Unemployment Rate



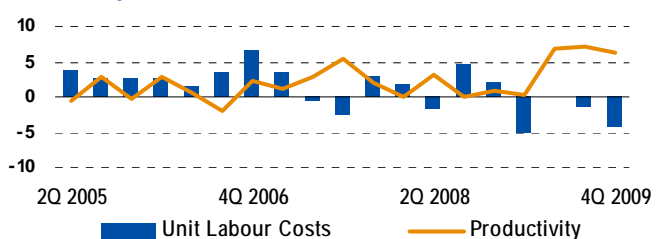
Source: Bureau of Labor Statistics, January 2010. All figures seasonally adjusted.

Consumer Price Index, Y/Y (%)



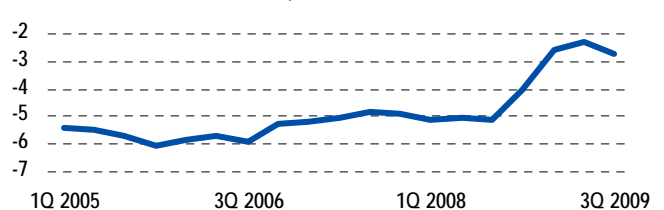
Source: Bureau of Labor Statistics, December 2009.

Productivity & Unit Labor Costs, Q/Q ar (%)



Source: Bureau of Labor Statistics, December 2009.

U.S. Annualized Trade Deficit, % GDP



Source: U.S. Census Bureau and Bureau of Economic Analysis, September 2009.

EUROLAND MACROECONOMIC DATA

CONSENSUS ECONOMIC FORECASTS

% Year-Over-Year	2010	2011	% Average/Year	2010	2011
Gross Domestic Product (GDP) ¹	1.2	1.5	EUR/US\$ ¹	1.41	1.39
Consumer Price Index (CPI) ²	1.1	1.5	3-Month Interest Rate ¹	1.63	—

I. FINAL OUTPUT

Gross Domestic Product (GDP) ³	4Q:08	1Q:09	2Q:09	3Q:09
GDP, Y/Y (%)	-1.8	-5.0	-4.8	-4.0
Private Consumption, Y/Y (%)	-0.7	-1.3	-0.9	-1.0
Gross Fixed Capital Formation, Y/Y (%)	-5.8	-11.5	-11.7	-11.4

II. ECONOMIC INPUTS³

	SEP 09	OCT 09	NOV 09	DEC 09
Retail Sales Y/Y (%)	-2.8	-0.9	-2.0	-1.6
Unemployment Rate (%)	9.8	9.9	9.9	10.0
Industrial Production, Y/Y (%)	-12.7	-11.0	-6.9	-5.0

III. INFLATION & WAGE PRESSURE

Inflation Indicators ³	SEP 09	OCT 09	NOV 09	DEC 09
Consumer Price Index (CPI), Y/Y (%)	-0.3	-0.1	0.5	0.9
Core CPI, Y/Y (%)	1.2	1.2	1.0	1.1

IV. FINANCIAL MARKETS

	OCT 09	NOV 09	DEC 09	JAN 10
Dow Jones EURO STOXX 50 Price Index EUR, Trailing P/E ratio ⁴	21.17	22.04	20.02	18.74
ECB Refinance Rate (%) ⁵	1.00	1.00	1.00	1.00
10 Year Yield-German Bunds (%) ⁴	3.23	3.16	3.39	3.20

V. BALANCE OF PAYMENTS³

Trade Balance	AUG 09	SEP 09	OCT 09	NOV 09
Billion Euro	-2.80	0.10	6.60	4.77
Current Account Balance	4Q:08	1Q:09	2Q:09	3Q:09
% GDP	-1.4	-1.7	-1.0	-0.1

JAPAN MACROECONOMIC DATA

CONSENSUS ECONOMIC FORECASTS¹

% Year-Over-Year	2010	2011	% Average/Year	2010	2011
Gross Domestic Product (GDP) ¹	1.4	1.6	JPY/US\$ ¹	100.0	103.9
Consumer Price Index (CPI) ⁶	-1.0	—	3-Month Interest Rate ¹	0.33	—

I. FINAL OUTPUT

Gross Domestic Product (GDP) ⁷	4Q:08	1Q:09	2Q:09	3Q:09
GDP, Q/Q annualized rate (%)	-10.2	-11.9	2.7	1.3
Private Consumption, Q/Q annualized rate (%)	-3.1	-12.7	-5.1	0.3
Fixed Capital Formation, Q/Q annualized rate (%)	-24.1	-29.7	-17.0	-10.6

II. ECONOMIC INPUTS

	SEP 09	OCT 09	NOV 09	DEC 09
Unemployment Rate (%) ⁸	5.3	5.1	5.2	5.1
Industrial Production, Y/Y (%) ⁹	-18.4	-15.1	-4.2	5.3
Tertiary Index Y/Y (%) ⁹	-7.2	-6.5	-3.5	—
Corporate Activities	1Q:09	2Q:09	3Q:09	4Q:09
Corporate Profit Growth (%) ¹⁰	-69.0	-53.0	-32.4	—
Tankan Quarterly Survey (index level) ¹¹	-58	-48	-33	-24

III. INFLATION

Inflation Indicators ⁸	SEP 09	OCT 09	NOV 09	DEC 09
Consumer Price Index (CPI), Y/Y (%)	-2.2	-2.5	-1.9	-1.7
CPI ex Fresh Food, Y/Y (%)	-2.3	-2.2	-1.7	-1.3

IV. FINANCIAL MARKETS⁴

	OCT 09	NOV 09	DEC 09	JAN 10
Nikkei 225, Trailing P/E Ratio	N/A	N/A	N/A	N/A
3-Month Yield-JGB's (%)	0.155	0.155	0.125	0.115
10-Year Yield-JGB's (%)	1.415	1.266	1.295	1.325

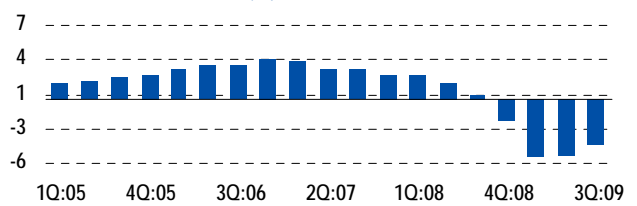
V. BALANCE OF PAYMENTS

Monthly Trade Balance ¹⁰	SEP 09	OCT 09	NOV 09	DEC 09
(in billions of Yen)	605	949	491	631
Current Account Balance ¹²	4Q:08	1Q:09	2Q:09	3Q:09
% GDP	3.2	2.5	2.4	2.4

1. Source: Bloomberg Economic Forecasts
 2. Source: European Commission, Directorate-General for Economic and Financial Affairs Economic Forecasts
 3. Source: © European Communities 2004–2008 Eurostat
 4. Source: Bloomberg. P/E ratios of Dow Jones EURO STOXX 50 Price Index and Nikkei-225 Stock Average as calculated by Bloomberg. P/E ratios of Nikkei-225 Stock Average for the months of October, November, December 2009 and January 2010 are not available due to negative earnings.
 5. Source: European Central Bank

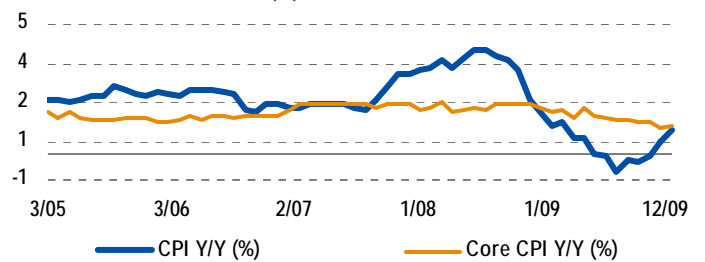
5. Source: Bank of Japan, Forecasts of the Majority of Policy Board Members
 6. Source: Economic and Social Research Institute, Cabinet Office, Government of Japan
 7. Source: Ministry of Internal Affairs & Communication, Japan
 8. Source: Ministry of Economy, Trade and Industry, Japan
 9. Source: Ministry of Finance, Japan
 10. Source: Bank of Japan
 11. Source: Bloomberg Indices
 Abbreviations: Q/Q ar: Quarter-on-Quarter annualized rate.

Eurozone Real GDP, Y/Y (%)



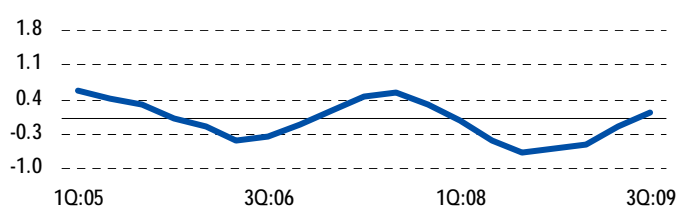
Source: © European Communities 2004–2008 Eurostat, as of September 2009.

Consumer Price Index, Y/Y (%)



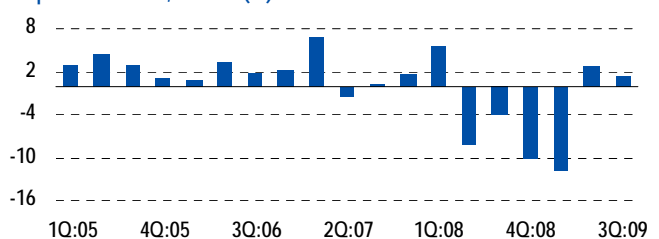
Source: © European Communities 2004–2008 Eurostat, as of December 2009.

External Trade Balance, % of GDP



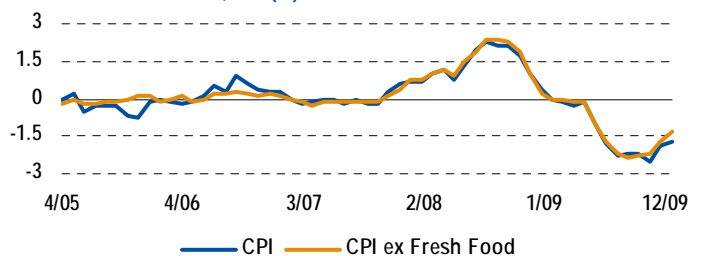
Source: © European Communities 2004–2008 Eurostat, as of September 2009.

Japan Real GDP, Q/Q ar (%)



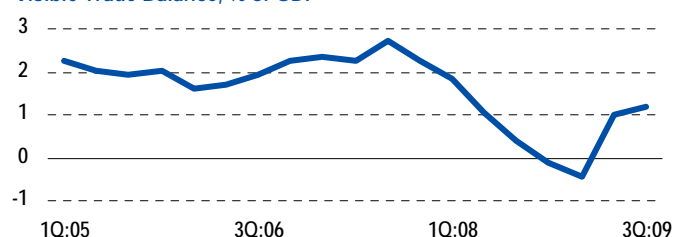
Source: ESRI, cabinet office, Govt. of Japan, September 2009.

Consumer Price Index, Y/Y (%)



Source: Ministry of Internal Affairs and Communications, December 2009.

Visible Trade Balance, % of GDP





This document is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of any of the Franklin Templeton Luxembourg-domiciled SICAVs. Nothing in this document should be construed as investment advice.

Franklin Templeton Investments have exercised professional care and diligence in the collection of information in this document. However, data from third party sources may have been used in its preparation and Franklin Templeton has not independently verified, validated or audited such data. Opinions expressed are the author's at publication date and they are subject to change without prior notice.

Any research and analysis contained in this document has been procured by Franklin Templeton Investments for its own purposes and is provided to you only incidentally. Franklin Templeton Investments shall not be liable to any user of this document or to any other person or entity for the inaccuracy of information or any errors or omissions in its contents, regardless of the cause of such inaccuracy, error or omission.

Issued by Franklin Templeton International Services S.A. – Professional of the Financial Sector under the supervision of the *Commission de Surveillance du Secteur Financier* – 26 Boulevard Royal L-2449 Luxembourg – Tel: +352-46 66 67-1 – Fax: +352-46 66 76.