FRANKLIN TEMPLETON

Franklin Income Fund

A (acc) USD: AEDFXA56C008 | **Commentary | as of 30 June 2026**

Key Takeaways

- **Markets:** US equities, as measured by the S&P 500 Index, rebounded strongly during the second quarter of 2026, recovering from a weak start to the year as investor confidence improved despite ongoing geopolitical uncertainty. Sentiment was supported by robust corporate earnings, particularly from companies exposed to artificial intelligence (AI) infrastructure, with continued increases in capital expenditure reinforcing confidence that the AI investment cycle remained intact.
- **Contributors:** Both the fixed income and equity sides of the portfolio contributed to the fund's absolute returns. On a relative basis, underweight positioning and selection within fixed income assisted results, as did an overweight allocation to equities.
- **Detractors:** Stock selection detracted from relative equity performance.
- **Outlook:** The current environment continues to reward flexibility and selectivity. As such, we maintain our focus on our dynamic global income approach to seek attractive income opportunities. We remain vigilant amid ongoing uncertainties, selectively deploying capital during periods of market dislocation to enhance income and long-term total return potential.

Performance Review

Past performance does not predict future returns.

- Franklin Income Fund — A (Mdis) USD shares without sales charges — **underperformed its benchmark**, the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index, for the quarter ended June 30, 2026.
- Over the course of the quarter, the fund **increased its fixed income allocation** and **decreased its equity exposure**.
- Fixed income allocations to **health care, industrials and consumer discretionary securities had a positive effect** on absolute fund performance. Meanwhile, **no sectors hindered results** during the period.
- On an individual issuer basis, **Community Health Systems, Organon & Co. and US Treasuries were leading contributors** within the fund's fixed income positioning. In contrast, **Tronox Holdings detracted** from returns.
- In terms of equities, the fund **benefitted from positions within the information technology, health care and financials sectors**. This positive **performance was partially offset by energy, materials and communication services stocks**, which detracted from absolute results.
- **UnitedHealth Group, Cisco Systems and Microchip Technology added value** to the fund's equity holdings. However, **Accenture, ExxonMobil Holdings and Chevron detracted from returns** during the period.

Outlook

- **Economy**: The outlook for economic growth and inflation continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary and fiscal policy, as well as trade and geopolitical risks, remain sources of volatility. Moreover, while the labour market has incrementally cooled, unemployment levels are still low on a historical basis. We continue to monitor financial conditions as a leading indicator of future economic performance and Fed policy.
- **Equities**: The start of 2026 saw elevated equity market dispersion after an extended period of very narrow market breadth. Amid the recent return to more narrow market leadership, we have found select opportunities within the communication services and financials sectors. Ultimately, given current valuations, we remain selective in engaging with equities and continue to focus on broad diversification across sectors while maintaining flexibility to capitalise on potential dislocations.
- **Treasuries/Government-Backed Bonds**: Government securities continue to provide an attractive investment opportunity, in our view, as yields remain elevated based on recent history. We believe they continue to offer good diversification potential and can serve as a ballast to help hedge portfolios during market volatility.
- **Investment-Grade Corporate Bonds**: Absolute yield levels remain attractive for an income-generating strategy, but credit spreads remain near cycle lows, despite some recent widening. With credit spreads at current levels, we believe future returns may be driven by interest-rate moves and carry rather than from meaningful spread compression.
- **High-Yield Corporate Bonds**: Although we think the high-yield market offers attractive yields, we remain balanced and selective with a focus on strong company fundamentals. We maintain a vigilant approach to security selection within our high-yield portfolio, with our preference for companies that have a greater degree of flexibility to address upcoming maturities.

Investment Overview

The Protected Cell is dedicated to investing in one or more share classes (each, an "Underlying Share Class") of Franklin Templeton Investment Funds –Franklin Income Fund (the "Underlying Master Fund"). The investment objective of the Underlying Master Fund is to maximise income while maintaining prospects for capital appreciation. The Underlying Master Fund pursues an actively managed investment strategy and invests mainly in equity and equity-related securities (including equity-linked notes) issued by companies located in, or doing significant business in, the U.S., and in debt securities of any quality (including lower quality) issued by corporations and governments.

Fund Overview

ISIN	AEDFXA56C008
Bloomberg	FRKINAA UH
Morningstar Peer Group	Global Allocation
Umbrella	Franklin Templeton Investments Feeder Funds
Fund Base Currency	USD
Fund Inception Date	29/07/2024
Share Class Inception Date	29/07/2024

Past performance does not predict future returns.

Discrete Annual Performance (%) - as of 30 June 2026

Class	06/25 06/26	06/24 06/25	06/23 06/24	06/22 06/23	06/21 06/22	06/20 06/21	06/19 06/20	06/18 06/19	06/17 06/18	06/16 06/17
A (acc) USD	11.39	—	—	—	—	—	—	—	—	—
Benchmark (USD)	11.86	—	—	—	—	—	—	—	—	—

Total Returns (%) - as of 30 June 2026

Class	1-Mo*	3-Mo*	YTD*	1-Yr*	3-Yr*	5-Yr*	Inception*	3-Yr	5-Yr	Inception	Inception Date
A (acc) USD	-0.52	2.58	5.20	11.39	—	—	15.40	—	—	7.75	29/07/2024
Benchmark (USD)	0.53	3.49	6.38	11.86	—	—	19.01	—	—	9.49	—

*Cumulative total returns. All other time periods are annualised returns.

Benchmark(s) and Type

Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index	Comparator

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 details provided are in share class currency, include the reinvested dividends gross of tax and are net of management fees. Sales charges, taxes and other locally applied costs have not been deducted. The fund's returns may increase or decrease as a result of changes to foreign exchange rates.

Up to date performance figures can be found on our website.
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.

What are the Risks?

The Fund does not offer any capital guarantee or protection and you may not get back the amount invested. The Fund is subject to the following risks which are materially relevant:

Potential investors should be aware that an investment in the Protected Cell involves a high degree of risk and is suitable only for investors who fully understand and who can bear the risks of such an investment for an indefinite period. Listed below are the 'Certain Risk Factors' relating to an investment in the Protected Cell: **Credit risk**: the risk of loss arising from default that may occur if an issuer fails to make principal or interest payments when due. This risk is higher if the Fund holds low-rated, sub-investment-grade securities. **Foreign Currency risk**: the risk of loss arising from exchange-rate fluctuations or due to exchange control regulations. All potential investors must carefully read the sections entitled "Certain Risk Factors and Potential Conflicts of Interest" in the Prospectus and Supplement for a full discussion of all the risks before making an investment in the Protected Cell.

Complete information on the risks of investing in the Fund are set out in the Fund's prospectus.

Important Information

This feeder fund is dedicated to investing in one or more share classes of the Underlying Master Fund. Any information pertaining to the Underlying Master Fund has been provided for understanding and evaluating feeder fund only, there is no intention to promote the Underlying Master Fund. The Underlying Master Fund is not registered in the UAE for public distribution.

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For the avoidance of doubt, if you make a decision to invest, you will be buying shares in the Fund and will not be investing directly in the underlying assets of the Fund. 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. **Past performance does not predict future returns.** 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.

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The Fund may use financial derivatives or other instruments which may entail specific risks more fully described in the Fund's Prospectus and, where available, in the relevant Key Investor Information Document or any other relevant offering document.

Subscriptions to shares of the Fund can only be made on the basis of the current Prospectus of the Fund, the relevant supplement for a protected cell, and the relevant Key Investor Information Document (or any other relevant offering document), accompanied by the latest available audited annual report and the latest interim report if published thereafter. These documents can be found on our website at franklintempletonme.com or obtained, free of charge, from your local FT representative or the address below.

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