FRANKLIN TEMPLETON

Franklin Global Sukuk Fund

A (acc) USD: AEDFXA57C006 | **Commentary | as of 31 July 2026**

Key Takeaways

- **Markets:** Sovereign bond yields rose in July, as renewed tensions in the Middle East pushed oil prices higher, leading investors to reassess the outlook for inflation and interest rates. Consequently, global aggregate bond indexes recorded negative returns over the month. The US Federal Reserve (Fed) maintained rates in July, despite three dissensions among the Federal Open Market Committee. Should inflation pressures build, while growth and the labour market stay firm, a Fed hike by year-end cannot be ruled out. As widely expected, the European Central Bank (ECB) also left rates unchanged in July in a unanimous decision, although a few governors raised the issue of whether a hike should be considered. Hawkish interest rate expectations were reinforced after the ECB's policy meeting, as President Lagarde did not counter the narrative of bond markets pricing in two rate hikes by year-end. Against this backdrop, the sukuk market also fell slightly.
- **Contributors:** Asset allocation.
- **Detractors:** Yield-curve effects, currency positioning, security selection.
- **Outlook:** The high-quality bias in our portfolio remains appropriate in an environment where uncertainty remains high.

Performance Review

Past performance does not predict future returns.

- In July, the fund's yield-curve effects weighed on performance, particularly due to US-dollar duration exposure to longer-dated issues. However, Turkish-lira duration exposure, notably carry, added value.
- Its currency positioning curbed fund results, owing primarily to exposures to the Turkish lira and Egyptian pound.
- The fund's security selection hampered returns slightly, primarily in quasi-sovereigns.
- Asset allocation lifted the fund's performance, principally through an off-benchmark position in treasuries and an overweight exposure to corporate financials.

Outlook

- The high-quality bias in our portfolios remains appropriate in an environment where uncertainty remains high, and risk premia are adjusting higher for longer.
- Duration is once again a key challenge. While higher oil prices from war with Iran and resilient US growth would argue for higher inflation, the fact remains that inflation expectations are still (surprisingly) very well anchored with one-, five-and 30-year inflation expectations at 1.9%, 2.2% and 2.23%, respectively – all below the levels they were at on February 28, the start of the war. Real yields and term premium are therefore at multi-decade highs, providing material compensation for duration risk.
- If inflation expectations change, we could see more pressure on nominal rates, beyond the two hikes currently priced in, but we could also see markets struggle with the Fed's reaction function, whether it would prioritise keeping inflation in check at the expense of the economy or let inflation run hot at the expense of its credibility and the US dollar. The latter could see real yields fall dramatically, while the former could see real and nominal yields stay high or move higher, with valuations for risk assets and spreads coming under significant pressure.
- We are trying to calibrate the appropriate level of credit risk and duration in our portfolios as we think about the different scenarios the regional conflict or policy adjustments may impose. We will continue to monitor developments closely and adjust positioning as warranted. Portfolios will continue to prioritise liquidity and quality.
- Global sukuk have demonstrated their defensive characteristics with modest drawdowns and a swift recovery following the geopolitical shock, which, in our view, appears to be longer lasting with increasing impact on regional and global economies.

Investment Overview

The Protected Cell is dedicated to investing, on a Shariah-compliant basis, in one or more share classes (each, an "Underlying Share Class") of Franklin Templeton Shariah Funds – Franklin Global Sukuk Fund (the "Underlying Master Fund"). The investment objective of the Underlying Master Fund is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of profit income and capital appreciation. The Underlying Master Fund seeks to achieve this objective by investing principally in a portfolio of fixed- and floating-rate Shariah-compliant securities (including non-investment grade securities), issued by government, government-related and corporate entities located in developed and developing countries.

Fund Overview

ISIN	AEDFXA57C006
Bloomberg	FRKGSAA UH
Morningstar Peer Group	Bond & Sukuk
Umbrella	Franklin Templeton Shariah 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 31 July 2026

Class	07/25 07/26	07/24 07/25	07/23 07/24	07/22 07/23	07/21 07/22	07/20 07/21	07/19 07/20	07/18 07/19	07/17 07/18	07/16 07/17
A (acc) USD	2.12	4.00	—	—	—	—	—	—	—	—
Benchmark (USD)	2.77	6.18	—	—	—	—	—	—	—	—

Total Returns (%) - as of 31 July 2026

Class	1-Mo*	3-Mo*	YTD*	1-Yr*	3-Yr*	5-Yr*	Inception*	3-Yr	5-Yr	Inception	Inception Date
A (acc) USD	-1.02	-0.47	-0.65	2.12	—	—	6.20	—	—	3.05	29/07/2024
Benchmark (USD)	-0.77	-0.26	-0.03	2.77	—	—	9.31	—	—	4.54	—

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

Benchmark(s) and Type

Dow Jones Sukuk 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?

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. **Liquidity risk:** the risk that arises when adverse market conditions affect the ability to sell assets when necessary. Such risk may be triggered by (but not limited to) unexpected events such as environmental disasters or pandemics. Reduced liquidity may have a negative impact on the price of the assets. **Shariah compliance risk:** the risk that the restriction to invest only in Shariah-compliant securities may place the Fund at a comparative disadvantage vs. funds that do not have this restriction. Returns to shareholders may also be reduced due to payments to Shariah approved charities to "purify" dividends. **Sukuk Investment risk:** the risk of loss arising from investing in sukuk instruments, which may fluctuate in value due to the impact of macroeconomic factors on the supply and demand for financing or the willingness or ability of the counterparty (sovereign, sovereign-related, or corporate) to make payments according to the terms of the Sukuk.

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.

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:

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.

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 the Dubai International Financial Centre-domiciled Franklin Templeton Shariah Feeder Funds Open-ended PCC PLC or any of its protected cells (together, the "Fund"). Given the rapidly changing market environment, Franklin Templeton Investments disclaims responsibility for updating this material.

Subscriptions to shares of the Fund can only be made on the basis of the current prospectus of the Fund, accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter. An investment in the Fund entails risks which are described in the Fund's prospectus.

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.

In emerging markets, the risks can be greater than in developed markets. Investments in derivative instruments entail specific risks that may increase the risk profile of the fund and are more fully described in the Fund's prospectus. If the fund invests in a specific sector or geographical area, the returns may be more volatile than a more diversified fund.

The investment activities will be undertaken in accordance with the relevant Shariah investment guidelines and Shariah operational guidelines as approved by the Shariah Supervisory Board and attached to the relevant Supplement. 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. Shariah reviews of each Protected Cell will be undertaken by the Shariah Supervisory Board in accordance with AAOIFI GSIFI No 2.

No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America. Shares of the Fund are not available for distribution in all jurisdictions and prospective investors should confirm availability with their local Franklin Templeton Investments representative before making any plans to invest.

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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