



FRANKLIN TEMPLETON
INVESTMENTS

Unaudited
Semi-Annual Report
April 30, 2018

Franklin Templeton Series II Funds

SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE



FRANKLIN TEMPLETON SERIES II FUNDS
société d'investissement à capital variable

UNAUDITED SEMI-ANNUAL REPORT
FOR THE SIX MONTHS ENDED APRIL 30, 2018

This report shall not constitute an offer or a solicitation of an offer to buy shares of Franklin Templeton Series II Funds (hereafter referred to as “FTSIF” or the “Company”). Subscriptions are to be made on the basis of the current prospectus, a copy of the latest available audited report and, if published thereafter, the latest unaudited semi-annual report.

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société d'investissement à capital variable

8A, rue Albert Borschette, L-1246 Luxembourg, Grand-Duchy of Luxembourg
(Registered with the registre de commerce et des sociétés, Luxembourg, under number B-127.818)

GENERAL INFORMATION

BOARD OF DIRECTORS

CHAIRMAN:

William Jackson
Director

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

5 Morrison Street
Edinburgh, EH3 8BH
Scotland, United Kingdom

DIRECTORS:

Shohreh Levy
Director

FRANKLIN TEMPLETON MANAGEMENT LUXEMBOURG S.A.

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

James F. Kinloch

Director

FRANKLIN TEMPLETON LUXEMBOURG S.A.

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

Michel Tulle

General Manager and Conducting Officer

Franklin Templeton France S.A.

20 rue de la Paix
F-75002 Paris
France

REGISTERED OFFICE:

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

PRINCIPAL DISTRIBUTOR:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

DISTRIBUTION CONTROLLER:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

INVESTMENT MANAGERS:

FRANKLIN ADVISERS, INC.

One Franklin Parkway
San Mateo, CA 94403-1906
U.S.A.

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

Cannon Place
78 Cannon Street
London EC4N 6HL
United Kingdom

FRANKLIN TEMPLETON INSTITUTIONAL, LLC

280 Park Avenue
New York, NY 10017
U.S.A.

TEMPLETON ASSET MANAGEMENT LTD.

7 Temasek Boulevard
#38-03 Suntec Tower One
Singapore 038987

DEPOSITARY AND LISTING AGENT:

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG BRANCH

Vertigo Building
2-4, rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

PRINCIPAL PAYING AGENT:

J.P. MORGAN BANK LUXEMBOURG S.A.

European Bank and Business Centre
6, route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

MANAGEMENT COMPANY:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.

8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

AUDITOR:

Ernst & Young S.A.
35E, Avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISER:

ELVINGER HOSS PRUSSEN S.A.

2, place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

INVESTMENT MANAGERS PER FUND:

Franklin Floating Rate II Fund:

Franklin Advisers, Inc.

Franklin Emerging Market Corporate Debt Fund:
Franklin Templeton Investment Management Limited;
Franklin Templeton Institutional, LLC and
Templeton Asset Management Ltd.

Franklin Emerging Market Debt Opportunities II Fund:
Franklin Templeton Investment Management Limited

Franklin Emerging Market Investment Grade Debt Fund:
Franklin Templeton Investment Management Limited

Franklin Upper Tier Floating Rate Fund:
Franklin Advisers, Inc.

Franklin Multi-Sector Credit Income Fund:
Franklin Advisers, Inc.

REPORT OF THE INVESTMENT MANAGERS

Franklin Floating Rate II Fund

Syndicated Bank Loan Market Overview

Technical conditions for the loan market remained supportive for much of the six-month period, despite bouts of volatility in the equity and high-yield bond markets. Strong issuance of new collateralised loan obligations (CLOs) and modest inflows into loan retail vehicles helped to provide a base of support for loans, but higher new-issue activity and refinancing transactions helped limit principal returns. The London Interbank Offered Rate (LIBOR) increased to the highest level since 2009, which managed to attract investors back to the market, but the increase also prompted further repricing transactions that constrained increases in income.

Continued tight conditions and further repricing transactions helped dampen retail investor interest in the asset class at the beginning of the period, but higher US Treasury yields and a rising LIBOR helped flows eventually turn positive as more investors looked for lower duration assets. Moreover, after the US Federal Reserve (Fed) hiked interest rates twice during the period and expectations for further hikes later in 2018 rose, retail investor interest improved.

CLO issuance continued at a strong pace as liability spreads tightened further, with the highest rated tranches reaching the tightest levels for vehicles launched after the crisis. While spreads widened slightly towards the end of the period due to heavy issuance, tighter liability spreads allowed CLO managers to maintain the necessary arbitrage that was challenged due to tighter spreads in the loan market. During the period, a US court ruled that CLO managers were not subject to risk retention rules under the Dodd-Frank Act, and market participants expected the potential removal of the rules to take out a potential obstacle to additional issuance. Relatively low new issuance, however, remained a hurdle to managers looking for collateral for new vehicles.

From low levels in previous periods, primary issuance increased due to more deals to finance mergers and acquisitions. Refinancing activity declined as a portion of new activity, but repricing transactions remained prevalent as LIBOR increased and as increasingly tight spreads over the benchmark rate became more acceptable to investors. Moreover, outside of repricing transactions, issuers took advantage of relatively lower rates by switching to a one-month LIBOR benchmark, rather than three-month LIBOR, limiting coupon increases.

The default rate increased to the highest level since 2015, following the widely expected default of a large broadcasting issuer and defaults of issuers in the energy, retail and consumer durable industries. While average total leverage of large corporate leveraged buyouts remained lower than the high of 2007, average first-lien debt leverage was at a record high, resulting in a diminished debt cushion.

Investment Strategy

We believe the increasingly tight pricing has increased the vulnerability of the market towards external macroeconomic events following multiple waves of repricing transactions in the loan market. In response, as the market gets further along in the credit cycle, we have maintained our overweight in loans rated in the upper tier, which we believe could perform relatively well during periods of future volatility. Additionally, we have invested in a handful of issuers with relatively shorter maturities that we believe would be closer to a near-term catalyst such as repayment or refinancing. Although the fund's intentional investment in these select loans contributed to recent volatility as the issuers looked to address their upcoming maturities, we believe these investments are best viewed over a longer time horizon. We have actively engaged management teams, sponsors and other lenders of these issuers to generate favourable transactions and achieve improved performance for the entire portfolio.

Manager's Discussion

During the six-month period under review, the fund returned 1.52% (A [Ydis]), underperforming its benchmark, the Credit Suisse Leveraged Loan Index (CSLLI), which returned 2.59%. The fund maintained an overweight in the upper tier of the market throughout the period, which detracted from performance as upper-tier loans in the index returned 2.09%, the middle tier returned 2.57%, and the lower tier returned 5.38%, according to the CSLLI. Although the fund's overweight in the upper tier detracted from relative performance, returns were also impacted by loan selection—shorter maturity loans contributed to and detracted from performance.

The top contributors to performance included issuers in which we had built relatively large positions and, through proactive engagement, were able to execute transactions that contributed to returns. The first-lien term loan of Fieldwood (a provider of oil and gas) traded higher after the company completed a restructuring plan, and the exit term loan also increased spread. Sungard Availability Services (a provider of information technology disaster recovery services) contributed to performance after the company completed an extension of its 2019 loan maturity to 2022. Through the transaction, we were able to reduce our position and significantly increase the spread on the remaining term loan.

The top detractors from performance included loans that had declined amidst uncertainty surrounding their near-term maturities, while other issuers reported weaker financial results. FGI Operating Company, a manufacturer of firearms and ammunition, detracted from performance after the company filed for bankruptcy and worked on a restructuring agreement with lenders. The term loan of the company had traded lower amidst weaker firearm sales and as the company needed to address its 2019 term loan maturity. Furthermore, the term loan of Petsmart (a leading retailer in the specialty pet market) declined as the company acquired an online competitor, which increased leverage and uncertainty surrounding the companies' integration.

While the fund maintained a significant overweight in higher-rated loans, its weighting in the upper tier declined due to credit rating downgrades and sales of higher-rated loans. The fund experienced relatively higher outflows towards the end of 2017 and focused on selling loans with relatively tighter spreads, which were primarily in the upper tier. We maintained the fund's

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

investment in AAA to A rated CLO tranches, as well as an open-end fund, Franklin Upper Tier Floating Rate Fund. These investments allowed the fund to have further exposure to credit, while providing additional liquidity. The fund also held protection in HYCDX, an index of high-yield bond credit default swaps providing synthetic exposure to the high-yield bond market, to help protect against volatility in the credit markets..

Franklin Emerging Market Investment Grade Debt Fund

Market Overview

US gross domestic product (GDP) expanded by 2.3% in 2017 and continued to grow at that rate in the first quarter of 2018, while US unemployment fell to 3.9% by April 2018. Against this background, the US Federal Reserve (Fed) raised interest rates twice, in December and March, and is projecting two more hikes for the remainder of the year. Ten-year US Treasury yields rose in the wake of these strong GDP numbers, boosted by the Trump administration's tax cuts at the end of 2017.

Emerging-market (EM) economies also continued to deliver solid growth. China's GDP grew by 6.9% in 2017, and India and Indonesia enacted important economic reforms. In Latin America, economic confidence continued to improve in countries such as Brazil, Chile and Argentina. Central Europe's emerging economies benefited from the European Union's economic momentum, which grew at its fastest rate in a decade in 2017.

Commodity prices generally rose as a result of the world's healthy economic backdrop. Brent Crude, for example, rose from just over US\$60 per barrel at the beginning of the review period to nearly US\$75 per barrel at the end of April 2018.

In November 2017, OPEC (the Organization of the Petroleum Exporting Countries) extended the supply cuts it originally enacted in 2016. Continued tension between Saudi Arabia and Iran, lower oil reserves, and the possibility of lower supplies from Venezuela also lifted prices. In March 2017, Saudi Arabia announced that it is working on a historic long-term agreement with Russia. Such an agreement would effectively integrate Russia within OPEC and might reduce oil price volatility.

- EM hard-currency investment-grade (IG) sovereign debt suffered a 2.90% loss in the six months under review, as per the JPMorgan EM Bond Index Global Diversified—Investment Grade, in US dollars. Benchmark 10-year US Treasury yields rose from 2.38% at the beginning of the review period to 2.95% by the end of April 2018. EM IG risk spreads rose from 155 basis points (bps) at the end of October 2017, on a yield-to-worst basis, to 177 bps at the end of April 2018.
- By contrast, EM local-currency IG sovereign debt returned 5.55% over the review period, as per the JPMorgan GBI-EM Global Diversified—Investment Grade, in US dollars. Local-currency EM IG yields rose marginally over the course of the review period, but EM currencies strengthened.
- EM hard-currency IG corporate bonds posted a 1.82% loss during the period, as per the ICE BofAML Emerging Markets High Grade Corporate Plus Index, hedged into US dollars, as EM IG corporate bonds' risk spreads over US Treasuries widened less than spreads on EM IG sovereign bonds.

Investment Strategy

The fund's objective is to achieve income yield and long-term capital appreciation. It seeks to achieve this objective by investing primarily in fixed- and floating-rate debt securities and debt obligations of government and government-related issuers, supranational entities organized or supported by several national governments, and corporate issuers located in an EM country and/or deriving a significant proportion of their economic activity from EM countries. All investments will, at the time of purchase, be rated as investment grade by one or more credit ratings agencies or, if unrated, be declared to be of comparable quality by the Investment Manager.

Manager's Discussion

The fund returned 0.26% (I [acc] shares in US dollars) net of fees for the six-month period ending 30 April 2018.

- The fund's position in South African local-currency bonds was the main contributor to returns in the six months to 30 April, helped by the strength of the South African rand. After South Africa's economic and political turmoil in 2017, Deputy President Cyril Ramaphosa won a leadership election in December and became president in February 2018. He is generally considered to stand for prudent government, ethical leadership and a constructive attitude towards business, and since he took over, South Africa's central bank has raised its forecast for the country's economic growth to 1.9% for 2018. In addition, local interest rates moved lower after the central bank cut rates by 25 bps in March, as headline inflation fell to its lowest level in three years.
- Exposure to the stronger Colombian peso also boosted returns, mainly due to rising oil prices.
- A position in Uruguayan local-currency bonds was the main detractor from returns in the six months under review, although a rise in the value of the Uruguayan peso countered this effect somewhat. These bonds rallied in 2017 but have performed poorly since the turn of the year, when Uruguay's quarterly debt report highlighted the need for additional borrowing. In March, onshore interest rates on Uruguayan local-currency bonds remained high, relative to those on newly issued international bonds. This prompted local investors to sell their offshore holdings, and sent prices for these bonds lower.
- The fund's position in US-dollar bonds issued by Southern Copper also detracted from performance. These are some of the longest-duration securities that the fund holds, and they suffered significantly from the rise in US Treasury yields during the review period.

Franklin Emerging Market Corporate Debt Fund

Market Overview

US gross domestic product (GDP) expanded by 2.3% in 2017 and continued to grow at that rate in the first quarter of 2018, while US unemployment fell to 3.9% by April 2018. Against this background, the US Federal Reserve (Fed) raised interest rates twice, in December and March, and is projecting two more hikes for the remainder of the year. Ten-year US Treasury yields rose in the wake of these strong GDP numbers, boosted by the Trump administration's tax cuts at the end of 2017.

Emerging-market (EM) economies also continued to deliver solid growth. China's GDP grew by 6.9% in 2017, and India and Indonesia enacted important economic reforms. In Latin America, economic confidence continued to improve in countries such as Brazil, Chile and Argentina. Central Europe's emerging economies benefited from the European Union's economic momentum, which grew at its fastest rate in a decade in 2017.

Commodity prices generally rose as a result of the world's healthy economic backdrop. Brent Crude, for example, rose from just over US\$60 per barrel at the beginning of the review period to nearly US\$75 per barrel at the end of April 2018.

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

In November 2017, OPEC (the Organization of the Petroleum Exporting Countries) extended the supply cuts it originally enacted in 2016. Continued tension between Saudi Arabia and Iran, lower oil reserves, and the possibility of lower supplies from Venezuela also lifted prices. In March 2017, Saudi Arabia announced that it is working on a historic long-term agreement with Russia. Such an agreement would effectively integrate Russia within OPEC and might reduce oil price volatility.

EM corporate debt suffered a 1.56% loss in the six months to 30 April 2018, as per the ICE BofAML Emerging Markets Corporate Plus Index, hedged in US dollars. Benchmark 10-year US Treasury yields rose from 2.38% at the beginning of the review period to 2.95% by the end of April 2018, and EM corporate spreads over US Treasuries widened.

Investment Strategy

The fund's objective is to achieve income yield and long-term capital appreciation by investing primarily in fixed and floating rate debt securities and debt obligations of government-related and corporate issuers located in an EM country and/or deriving a significant proportion of their economic activity from developing or emerging countries. There are no restrictions on credit quality or maturity with respect to the securities in which the fund may invest and as such the fund may invest to an unlimited extent in below investment grade and unrated securities.

Manager's Discussion

For the six-month period ending 30 April 2018, the fund posted a loss of 0.53% net of fees (I [acc] shares in US dollars).

- The fund's holding of US-dollar bonds issued by Russian property firm O1 Properties was the main detractor from relative returns. In late 2017, Russia's central bank completed the nationalisation of troubled lender Bank Otkritie. As a result of that transaction, questions were raised about certain business dealings between Bank Otkritie and O1 Group, the parent company of O1 Properties. The bonds recovered somewhat nearer the end of the review period, after O1 Properties confirmed that its business had been unaffected by these stresses at the shareholder level.
- A position in US-dollar bonds issued by Southern Copper also weighed on performance. These are some of the longest-duration securities that the fund holds, and they suffered significantly from the rise in US Treasury yields during the review period.
- The fund's position in US-dollar notes backed by oil from northern Iraq was the main contributor to its performance in the six-month review period. Oil prices rose during the review period, as described above. In addition, Iraq's political and security situation continued to stabilise, which led to more stable oil supply from the north of the country.
- The fund's position in US-dollar bonds issued by three Nigerian banks also contributed to returns. Nigerian banks' operating environment improved significantly in 2017, in part because the country's central bank opened a new liquidity window. This allowed some Nigerian banks to tap international markets, and it boosted secondary markets in their bonds as well. Fidelity Bank, for example, refinanced a large portion of its outstanding debt in the second half of 2017, including a successful Eurobond issue in October.

Franklin Emerging Market Debt Opportunities II Fund

Market Overview

US gross domestic product (GDP) expanded by 2.3% in 2017 and continued to grow at that rate in the first quarter of 2018, while US unemployment fell to 3.9% by April 2018. Against this background, the US Federal Reserve (Fed) raised interest rates twice, in December and March, and is projecting two more hikes for the remainder of the year. Ten-year US Treasury yields rose in the wake of these strong GDP numbers, boosted by the Trump Administration's tax cuts at the end of 2017.

Emerging-market (EM) economies also continued to deliver solid growth. China's GDP grew by 6.9% in 2017, and India and Indonesia enacted important economic reforms. In Latin America, economic confidence continued to improve in countries such as Brazil, Chile and Argentina. Central Europe's emerging economies benefited from the European Union's economic momentum, which grew at its fastest rate in a decade in 2017.

Commodity prices generally rose as a result of the world's healthy economic backdrop. Brent Crude, for example, rose from just over US\$60 per barrel at the beginning of the review period to nearly US\$75 per barrel at the end of April 2018.

In November 2017, OPEC (the Organization of the Petroleum Exporting Countries) extended the supply cuts it originally enacted in 2016. Continued tension between Saudi Arabia and Iran, lower oil reserves, and the possibility of lower supplies from Venezuela also lifted prices. In March 2017, Saudi Arabia announced that it is working on a historic long-term agreement with Russia. Such an agreement would effectively integrate Russia within OPEC and might reduce oil price volatility.

- EM hard-currency sovereign bonds posted a 2.44% loss in the six months to 30 April 2018, as per the JPMorgan EM Bond Index Global Diversified B-/B3 and higher, hedged into euros. Benchmark 10-year US Treasury yields rose from 2.38% at the beginning of the review period to 2.95% by the end of April 2018, and EM sovereign risk spreads widened. The US dollar's weakness held back returns for most of that time, although the greenback recovered somewhat towards the end of the review period.
- EM hard-currency corporate bonds suffered a 2.78% loss over the review period, as per the ICE BofAML Emerging Markets Corporate Plus Index, hedged into euros, as corporate spreads also widened.
- By contrast, local-currency sovereign debt returned 0.86% over the same timeframe, as per the JPMorgan GBI-EM Broad Diversified index, in euros. Local-currency EM yields rose marginally over the course of the review period, but many EM currencies also strengthened.

Investment Strategy

The fund's objective is to achieve income yield and long-term capital appreciation. It seeks to achieve this objective by investing primarily in fixed- and floating-rate debt securities and debt obligations of government and government-related issuers, supranational entities organised or supported by several national governments, and corporate issuers located in an EM country and/or deriving a significant proportion of their economic activity from EM countries.

Manager's Discussion

The fund returned 0.24% net of fees (I [Ydis] shares in euros) for the six-month period ending 30 April 2018.

- The fund's position in South African local-currency bonds was the main contributor to returns in the six months to 30 April, helped by the strength of the South African rand. After South Africa's economic and political turmoil in 2017, Deputy President Cyril Ramaphosa

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

won a leadership election in December and became president in February 2018. He is generally considered to stand for prudent government, ethical leadership and a constructive attitude towards business, and since he took over, South Africa's central bank has raised its forecast for the country's economic growth to 1.9% for 2018. In addition, local interest rates moved lower after the central bank cut rates by 25 basis points in March, as headline inflation fell to its lowest level in three years.

- The fund's position in US-dollar notes backed by oil from northern Iraq also contributed to its performance. Oil prices rose during the review period, as described above. In addition, Iraq's political and security situation continued to stabilise, which led to more stable oil supply from the north of the country.
- A position in Uruguayan local-currency bonds was the main detractor from returns in the six months under review. These bonds rallied in 2017 but have performed poorly since the turn of the year, when Uruguay's quarterly debt report highlighted the need for additional borrowing. In March, onshore interest rates on Uruguayan local-currency bonds remained high, relative to those on newly issued international bonds. This prompted local investors to sell their offshore holdings, and sent prices for these bonds lower.
- Exposure to the weaker Turkish lira also hurt performance. Turkey's rapid economic growth is widening the country's current account deficit. Coupled with higher inflation and a less-than-hawkish stance by the country's central bank, this wider deficit had a negative effect on the lira.

Franklin Upper Tier Floating Rate Fund

Syndicated Bank Loan Market Overview

Investment Strategy

Over the past six months, our positioning towards a higher-quality bias has been informed by previous sharp increases in short-term interest rates and our expectation of future rate hikes that could support consistent demand for zero-duration floating-rate assets. Over the period under review, loan repricing and refinancing transactions tightened credit-spreads across all rating tiers, which continued from prior periods. A result of multiple bouts of refinancing waves was credit risk, as defined by credit spread or spread compensation, was less discernable across the credit spectrum. As such, we continued to position the portfolio in high-quality borrowers with low senior leverage and low risk scores, while holding a small portion of riskier-rated, higher-yielding loan assets that mature in the near term. We believe these higher-yielding assets could provide potential catalysts to extract value and generate returns when the companies come to the market to address their short-dated debt. Our defensive positioning should continue to be appropriate for the periods ahead, in our view. Moreover, we believe the tighter credit spreads in the broad market and narrowed credit spreads between rating tiers highlight the importance of the London Interbank Offered Rate (LIBOR) as a key source of income going forward. This expectation has also informed our portfolio positioning towards higher-quality loans.

Manager's Discussion

During the semiannual period under review, the fund posted a net return of 1.06% [I (Qdis)], underperforming its benchmark, the JP Morgan BB Leveraged Loan Index (JPM BB Index), which returned 2.25%. Over the same period, the broad JP Morgan Leveraged Loan Index returned 2.61%. By rating tier, the lower-tier segment of the JP Morgan Leveraged Loan Index (JPM Leveraged Loan Index) performed best at 8.72%, followed by middle-tier loans, which returned 2.63%, and upper-tier loans, which returned 2.14%.

Overall, we rolled existing high-quality portfolio positions into new debt facilities that refinanced or repriced during the period and, in several instances, leveraged the transaction to reduce our exposure to riskier-rated borrowers, which temporarily increased cash balances. Primary market transactions consisted of repricings and refinancings that aimed to lower credit spreads and extend maturities, a similar theme from prior periods. However, the increase in primary market transactions due to merger and acquisition activity or leveraged buyout financing added net supply to the loan market, which continued to see demand from collateralised loan obligation formation and retail fund subscriptions. As a result of the net supply, loan prices in the secondary market traded down closer to par, and we actively engaged the trade desk with secondary buy orders to reduce cash balances.

The first-lien term debt of GNC contributed to relative results following prior periods of negative principal return due to uncertainty surrounding the company's ability to refinance its near-term maturing debt. We actively engaged management and worked with other existing lenders to help the company launch a new amend-to-extend transaction that addressed its upcoming 2019 maturity. The company successfully completed the transaction with support from lenders and a large investment from a foreign company. As a result of our large position in the term debt, we were able to drive lender-friendly terms such as increasing spread, boosting loan economics with fees for participating lenders and adding material covenants, including a ratings-based grid and limited incremental debt capacity. The term debt received an upgrade during the period and traded up from intra-period lows.

The term debt of Sungard Availability Services, a provider of information technology disaster recovery and colocation services, contributed to relative results through a refinancing transaction that occurred in the middle of the period under review. The portfolio benefitted from the new transaction, which resulted in much improved loan economics including increased spread, fees and a material original issue discount. However, we elected to reduce a portion of our existing exposure during the new transaction because uncertainty around a management turnaround remains in the highly levered capital structure. This is consistent with our strategy to leverage new transactions as a way to reduce our exposure to borrowers we are not as favourable on.

The term debt of Fieldwood Energy, an oil and gas operator in the Gulf of Mexico, also contributed to relative results as a top performer the reporting period. During the period, the company filed for Chapter 11 bankruptcy with a pre-petitioned exit financing plan that the court approved swiftly. The capital structure of the new transaction reflected a materially reduced debt load combined with a successful equity rights offering to acquire a deep-water asset in the Gulf of Mexico. At the close of the new transaction, Standard & Poor's upgraded the company's issue rating and corporate credit rating.

Detractors from performance included the term debt of FGI Operating Company, a leading manufacturer of firearms and ammunition that continued to struggle from missteps by management, which led to excess inventory and extended promotional sales with longer receivable cycles that sapped liquidity. The company received rating downgrades in December 2017 and, in February 2018, Standard & Poor's downgraded all of the loan ratings to D. By the end of the period, the company announced it had entered into a Restructuring Support Agreement with consenting lenders in a pre-packaged Chapter 11 bankruptcy filing. The company reached an agreement, across all lenders, regarding debtor-in-possession terms and a plan of action upon emergence. The term loan traded lower over the period.

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

In the retail sector, our exposure to the term debt of PetSmart, the largest retailer in the specialty pet market, detracted from relative results after reporting soft topline figures. However, the company's expensive acquisition of Chewy Brands, its leading online competitor, helped the company as it outperformed prior period results compared to the legacy PetSmart brick-and-mortar business. Overall, our relative exposure to the retail sector shifted from an underweight to an overweight by the end of the period, which largely resulted from several retail loan assets being downgraded by rating agencies and consequently falling out of the benchmark JPM BB Leveraged Loan Index and into the middle-tier segment of the broad JPM Leveraged Loan Index.

At the end of the period, the fund held approximately 6.7% in short-dated loans maturing in less than three years, a decrease from 21.2% at the beginning of the period. In comparison, at the end of the period, the benchmark weighting in short-dated loans was 4.3%, an increase from 3.4% at the beginning of the period.

Franklin Multi-Sector Credit Income Fund

Market Overview

During late 2017, market participants mainly focused on continued indications of positive economic growth, ongoing strength in corporate earnings, upbeat business sentiment and Congressional passage of US tax reform that featured a significant reduction in the corporate tax rate. Data ranging from the labour market to consumer patterns and confidence suggested the US economy ended 2017 on a strong note despite a mixture of hurricane-induced effects that were evident in vehicle, retail and home sales, as well as in energy markets and non-core inflationary measures. Consumer confidence rose to its highest point since the early 2000s, bolstered in part by optimism about the labour market. At the start of 2018, business activity on the manufacturing and services sides of the US economy appeared to remain in a robust state of expansion, and the labour market tightened further as jobless claims dipped to the lowest level since 1973. But amidst robust economic and corporate tailwinds, markets were occasionally rattled as concerns about higher interest rates and less accommodative central bank policy surfaced.

US first-quarter 2018 real gross domestic product (GDP) grew at a 2.3% annualised pace, compared to 2.9% in the previous quarter, mainly due to slower growth in personal consumption expenditures, residential fixed investment, exports and government spending. However, the impact was partially offset by an upturn in private inventory investment and a slowdown in imports. US employment costs, as measured by the Employment Cost Index, accelerated more than forecast in the first quarter at 0.8% quarter-on-quarter, compared to a 0.6% gain in the previous quarter. Meanwhile, initial jobless claims declined by 24,000 to 209,000 in the week ended April 21—the lowest level since December 1969—driven almost exclusively by New York, where initial claims fell by 23,000.

In Europe, the February 2018 unemployment rate in the euro area edged down to the lowest reading since December 2008, and the rate in the European Union (EU) declined to the lowest level since September 2008. GDP growth in both the euro area and the EU moderated in the first quarter, according to the flash estimate. In Japan, the revised fourth-quarter GDP reading marked the eighth consecutive quarter of growth and the longest period of expansion since 1989. Japan's year-on-year Consumer Price Index grew in March at a slower pace than in the previous two months. In terms of currency movements, the British pound, the euro and the Japanese yen all rose against the US dollar over the six-month period.

The US Federal Reserve (Fed) began the process of balance sheet normalisation in October 2017. Markets had a muted reaction to the nomination of Fed Governor Jerome Powell to be the incoming Fed chair as he was considered to be similar in his approach to that of Janet Yellen. The Fed raised the federal funds target rate 25 basis points (bps) to a range of 1.25% to 1.50% at its December 2017 meeting, citing rising economic activity and continued strength in US labour markets. The Fed also continued unwinding its balance sheet in December at a monthly pace of US\$6 billion in US Treasuries (USTs) and US\$4 billion in mortgage-backed securities (MBS) and increased to a monthly pace of US\$12 billion in USTs and US\$8 billion in MBS starting January 2018. At the first Federal Open Market Committee chaired by the new Fed Chairman (Jay Powell) on 21 March 2018, the Fed raised the federal funds target rate 25 bps to a range of 1.50% to 1.75%. The Fed also continued to unwind its UST positions, raising that monthly volume to US\$18 billion in April. However, uncertainty over the potential impacts of protectionist trade policies appeared to amplify equity market volatility and risk aversion in fixed income markets during early 2018. UST yields rose sharply and the US dollar broadly strengthened in April as reflation sentiments returned to financial markets. The Fed's preferred inflation gauge, core PCE (personal consumption expenditures), increased to 1.9% (year-over-year) in March from 1.6%.

Investment Strategy

Bank Loans

A recent topic of interest for the bank loan market has been the potential replacement of the London Interbank Offered Rate (LIBOR), a reference rate that has been widely utilised by bank loan issuers to set interest rates for a variety of financial products. The Alternative Reference Rate Committee, sponsored by the Federal Reserve Bank of New York (NY Fed), has nominated the Secured Overnight Finance Rate (SOFR) as a potential replacement for LIBOR. SOFR is a secured overnight rate backed by USTs, whereas LIBOR is an unsecured rate that is quoted for five currencies and has seven different maturities. In times of distress, one would expect LIBOR to increase because it is unsecured, whereas the SOFR is expected to stay flat, or even decline, because it is secured by USTs. The NY Fed will start quoting one-month and three-month SOFR rates after the reporting period. It remains to be seen whether the proposed alternative reference rate to replace LIBOR will gain traction as a viable alternative. Starting in 2021, banks will no longer be mandated to continue quoting LIBOR; however, banks may still continue to quote it because so many markets depend on it. It remains unclear what benchmark rate could replace LIBOR, in our view.

Against the backdrop of the recent rise in 10-year UST yields, we have observed that the spread between one-month and three-month LIBOR has steadily widened since 2017. Prior to 2017, the one-month and three-month LIBOR tracked each other fairly closely; recently, the spread has widened to 45 basis points on average. One could expect the recent rise in interest rates to lead to higher loan returns since it is a floating-rate asset. However, we caution investors to be mindful that more than half of loan issuers have changed their reference rate to the lower one-month LIBOR from the three-month LIBOR to offset the rise in interest costs. We believe this switch to a lower LIBOR reference could potentially dampen the benefits of rising rates for loan investors, as the expected increase in all-in coupons may arrive later than expected, or at least until the spread compresses between the one-month

REPORT OF THE INVESTMENT MANAGERS (CONTINUED)

and three-month LIBOR. The movement towards one-month LIBOR also has potential implications for the collateralised loan obligation (CLO) market because it creates a further mismatch between CLO assets and liabilities as CLO tranches are still priced according to the three-month LIBOR instead of the one-month rate. In the current environment of eroding lender protection, we have seen instances of provisions in new-issue loan credit agreements that permit the issuer to change the reference rate from LIBOR, without any lender approval; we are focused on watching out for this type of provision in the due diligence process to protect our investors from one-sided credit agreements and unforeseen changes in rules that could adversely affect the investment return profile. We have been highlighting this development in our fixed income committee. We are also communicating our concerns to investment banks that are putting these provisions in documentation and are in fact actively looking to reduce or eliminate our exposure to some of the transactions that carry this provision. In light of the challenges, we remain cautiously constructive on the highest quality bank loan assets, as we believe rising interest-rate expectations, general seniority in the capital structure for loans and supportive demand conditions could continue to provide modest tailwinds for the sector.

High Yield

During the final month of the reporting period, the high-yield (HY) market started off on a strong footing amidst tighter spread conditions. By mid-April, market volatility reappeared as the 10-year UST yield reached the 3% mark. Equity markets returned to “risk-off” mode, and HY spreads widened. By the end of the month, HY spreads had recovered and ended tighter. Despite recent bouts of heightened volatility, we have maintained our constructive outlook on the HY market. Fundamentals and the overall macroeconomic picture remain in good shape, in our view, as the US economy has continued along a sustained growth path. The recent de-escalation of tensions in the Korean peninsula mitigated a potential pressure point on the economy. We maintain our belief that as long as interest rates are rising because of economic growth and UST yields increase in an orderly and gradual manner, HY spreads could withstand and even partially offset steady UST increases, which is what has occurred thus far.

HY bond issuance volume remained muted and dominated by refinancing activities in recent months. Merger and acquisition-related issuances, however, appeared to be picking up as the market had time to digest and understand the implications of tax reform. The re-engagement of merger talks between two large telecommunications firms was a potentially encouraging sign towards a sustained uptick in merger and acquisition activity. In terms of industry outlook, specifically pharmaceuticals, we are monitoring whether the recent controversy regarding opioids could develop into additional pressures on the industry. Although we expect existing challenges in the retail, media, telecommunications and health care industries to continue, we remain constructive on the HY asset class; we believe companies in general can continue posting decent earnings that are within market consensus expectations. We believe the risk to the HY market for the remainder of the year could tilt more towards technically driven conditions, rather than fundamentals; should HY supply pick up during the latter half of the year, HY valuations could be pressured. In addition, UST rate movements that are beyond market consensus expectations could also cause additional technical pressure on HY valuations. We believe positive HY fundamentals can continue and spreads could trend tighter, absent market surprises.

Manager's Discussion

During the six-month period ended 30 April 2018, the fund returned -0.17% net (I [acc]). Over the period, our allocation to US HY corporate bonds was the largest contributor to absolute returns, followed by our foreign currency exposures. Additionally, absolute fund performance was enhanced by our exposures to residential MBS. Our exposure to floating-rate bank loans was the largest detractor from the fund's absolute results over the period, followed by our US-dollar yield-curve positioning and exposure to investment-grade corporate bonds.

THE INVESTMENT MANAGERS
May 2018

FUND PERFORMANCE

PERCENTAGE CHANGE TO APRIL 30, 2018

Share classes	Launch date	6 Months %	1 Year %	3 Years %	Since Launch %
Franklin Floating Rate II Fund A (acc)	29 May 07	1.495	2.574	9.538	35.595
Franklin Floating Rate II Fund A (acc) Euro Hedged	29 May 07	0.001	(0.105)	4.350	25.807
Franklin Floating Rate II Fund A (Ydis)	29 May 07	1.525	2.567	9.636	35.849
Franklin Floating Rate II Fund I (acc)	29 May 07	1.666	2.937	10.672	40.001
Franklin Floating Rate II Fund I (acc) CHF Hedged	28 Apr 17	0.100	0.300	-	0.300
Franklin Floating Rate II Fund I (acc) Euro Hedged	29 May 07	0.210	0.208	5.368	29.294
Franklin Floating Rate II Fund I (acc) GBP Hedged	28 Apr 17	0.696	1.401	-	1.401
Franklin Floating Rate II Fund I (Mdis)	15 Nov 07	1.583	2.842	10.663	41.098
Franklin Floating Rate II Fund I (Qdis) Euro Hedged	15 Jul 13	0.314	0.219	5.472	11.595
Franklin Floating Rate II Fund I (Ydis)	28 Apr 17	1.647	2.969	-	2.969
Franklin Floating Rate II Fund I (Ydis) CHF Hedged	16 Dec 16	0.064	0.163	-	0.464
Franklin Floating Rate II Fund I (Ydis) Euro Hedged	28 Apr 17	0.181	0.281	-	0.281
Franklin Floating Rate II Fund W (acc)	31 Jan 13	1.634	2.785	10.265	37.105
Franklin Floating Rate II Fund W (acc) Euro Hedged	23 May 14	0.279	0.374	5.262	26.848
Franklin Floating Rate II Fund W (Qdis)	08 Mar 17	1.625	2.814	-	2.916
Franklin Floating Rate II Fund Y (Mdis)**	26 Jan 18	-	-	-	0.804
Franklin Emerging Market Investment Grade Debt Fund I (acc)	24 Feb 12	0.255	4.414	10.460	18.305
Franklin Emerging Market Investment Grade Debt Fund I (acc) Euro	24 Feb 12	(3.300)	(5.790)	2.653	31.808
Franklin Emerging Market Investment Grade Debt Fund I (acc) Euro Hedged	24 Feb 12	(1.234)	1.634	5.068	11.999
Franklin Emerging Market Investment Grade Debt Fund Y (Mdis)*	12 Jan 18	-	-	-	(1.442)
Franklin Emerging Market Corporate Debt Fund I (acc)	24 Feb 12	(0.529)	2.415	13.947	31.607
Franklin Emerging Market Corporate Debt Fund I (acc) Euro Hedged	24 Feb 12	(1.946)	(0.238)	9.674	25.905
Franklin Emerging Market Corporate Debt Fund Y (Mdis) Euro	26 Jun 15	(3.561)	(6.723)	-	7.846
Franklin Emerging Market Debt Opportunities II Fund I (Ydis)	30 Nov 12	0.237	2.286	11.235	22.042
Franklin Emerging Market Debt Opportunities II Fund X (Ydis)	13 Nov 15	0.714	2.988	-	17.754
Franklin Upper Tier Floating Rate Fund I (acc)	28 Apr 17	0.987	1.998	-	1.998
Franklin Upper Tier Floating Rate Fund I (Qdis)	28 Aug 14	1.064	1.993	8.976	10.886
Franklin Upper Tier Floating Rate Fund I (Qdis) CHF Hedged	29 Aug 14	(0.480)	(0.735)	2.679	3.910
Franklin Upper Tier Floating Rate Fund I (Qdis) Euro Hedged	29 Aug 14	(0.257)	(0.435)	4.067	6.101
Franklin Multi-Sector Credit Income Fund I (acc)	02 Oct 15	(0.175)	1.873	-	14.200
Franklin Multi-Sector Credit Income Fund I (acc) AUD Hedged	02 Oct 15	(0.345)	1.940	-	15.600
Franklin Multi-Sector Credit Income Fund I (acc) CHF Hedged	02 Oct 15	(1.909)	(1.009)	-	7.900
Franklin Multi-Sector Credit Income Fund I (acc) Euro Hedged	02 Oct 15	(1.623)	(0.908)	-	9.100
Franklin Multi-Sector Credit Income Fund I (acc) GBP Hedged	02 Oct 15	(1.235)	0.179	-	12.000
Franklin Multi-Sector Credit Income Fund I (Qdis) Euro Hedged	02 Oct 15	(1.613)	(0.799)	-	9.164
Franklin Multi-Sector Credit Income Fund I (Ydis)	02 Oct 15	(0.311)	1.853	-	13.937
Franklin Multi-Sector Credit Income Fund I (Ydis) Euro	02 Oct 15	(3.788)	(8.109)	-	5.850
Franklin Multi-Sector Credit Income Fund I (Ydis) Euro Hedged	02 Oct 15	(1.689)	(0.839)	-	9.070
Franklin Multi-Sector Credit Income Fund I (Ydis) GBP Hedged	02 Oct 15	(1.193)	0.216	-	12.149

**This share class was launched on January 26, 2018

* This share class was launched on January 12, 2018

This report shall not constitute an offer or a solicitation of an offer to buy shares. Subscriptions are to be made on the basis of the current issuing document, and a copy of the latest available audited annual report and, if published thereafter, the latest unaudited semi-annual report. The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested. Past performance is no guarantee of future performance. Currency fluctuations may affect the value of investments.

Data source:
Performance – Franklin Templeton Investments

STATEMENT OF NET ASSETS

AT APRIL 30, 2018

	TOTAL	Franklin Floating Rate II Fund	Franklin Emerging Market Investment Grade Debt Fund	Franklin Emerging Market Corporate Debt Fund
	(USD)	(USD)	(USD)	(USD)
ASSETS				
Investment in securities at market value (note 2(b))	3,250,998,808	694,861,103	56,519,727	32,611,086
Cash	253,012,472	12,048,196	1,153,781	35,316
Amounts receivable on sale of investments	145,931,427	76,475,662	3,583,395	100,000
Amounts receivable on subscriptions	18,194,331	17,661,187	-	-
Interest and dividends receivable, net	26,538,034	2,701,204	829,333	464,843
Other receivables	310,006	154,525	2,458	1,257
Unrealised profit on forward foreign exchange contracts (note 4)	22,289	-	-	22,289
Unrealised profit on financial future contracts (note 5)	2,086	-	-	-
Unrealised profit on interest rate swap contracts (note 6)	3,031	-	-	-
Unrealised profit on unfunded loan commitments (note 9)	927,015	158,251	-	-
	3,695,939,499	804,060,128	62,088,694	33,234,791
LIABILITIES				
Amounts payable on purchases of investments	88,911,570	22,553,863	612,355	-
Amounts payable on redemptions	2,373,691	2,373,691	-	-
Investment management fees payable (note 3)	992,650	273,662	20,310	5,321
Taxes and expenses payable	1,421,740	308,058	29,091	30,787
Unrealised loss on forward foreign exchange contracts (note 4)	33,672,950	1,375,298	352,699	-
Credit default swap contracts at market value (note 7)	668,225	606,686	-	-
	128,040,826	27,491,258	1,014,455	36,108
TOTAL NET ASSETS	3,567,898,673	776,568,870	61,074,239	33,198,683
THREE YEAR NET ASSET SUMMARY				
October 31, 2017	3,423,491,459	728,788,836	36,634,222	34,021,343
October 31, 2016	3,053,178,230	390,021,649	53,407,761	31,045,731
October 31, 2015	4,523,652,172	477,628,249	44,462,429	23,983,243

The accompanying notes form an integral part of these financial statements

STATEMENT OF NET ASSETS
AT APRIL 30, 2018 (CONTINUED)

Franklin Emerging Market Debt Opportunities II Fund (EUR)	Franklin Upper Tier Floating Rate Fund (USD)	Franklin Multi- Sector Credit Income Fund (USD)
774,889,839	1,505,348,721	25,707,509
32,532,766	200,211,649	268,830
5,445,524	58,139,461	1,055,533
-	533,144	-
13,743,237	5,707,466	235,420
87,340	43,041	3,231
-	-	-
-	-	2,086
-	-	3,031
-	768,764	-
826,698,706	1,770,752,246	27,275,640
3,999,371	59,799,442	1,115,270
-	-	-
101,617	557,747	12,872
369,433	577,710	29,875
13,966,261	15,020,285	55,520
-	-	61,539
18,436,682	75,955,184	1,275,076
808,262,024	1,694,797,062	26,000,564
771,205,013	1,698,335,823	26,080,329
588,038,980	1,907,673,781	24,544,563
587,017,488	3,306,200,117	25,123,404

The accompanying notes form an integral part of these financial statements

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE PERIOD ENDED APRIL 30, 2018

	TOTAL (USD)	Franklin Floating Rate II Fund (USD)	Franklin Emerging Market Investment Grade Debt Fund (USD)	Franklin Emerging Market Corporate Debt Fund (USD)
NET ASSETS AT THE BEGINNING OF THE PERIOD	3,423,491,459	728,788,836	36,634,222	34,021,343
Currency translation adjustment	33,159,660	-	-	-
	<u>3,456,651,119</u>	<u>728,788,836</u>	<u>36,634,222</u>	<u>34,021,343</u>
INCOME				
Dividends (net of withholding taxes)	2,505,051	1,503,296	-	-
Interest on bonds and loans (net of withholding taxes)	86,184,802	16,391,836	992,448	915,261
Bank interest	1,998,055	305,401	5,975	3,595
Net interest income on swaps	1,424	-	-	-
Sundry income	2,301,962	1,099,726	-	997
TOTAL INCOME	<u>92,991,294</u>	<u>19,300,259</u>	<u>998,423</u>	<u>919,853</u>
EXPENSES				
Investment management fees (note 3)	5,937,187	1,657,815	121,313	32,183
Administration and transfer agency fees	2,904,785	677,568	33,677	13,676
Subscription tax (note 11)	228,076	90,282	1,923	1,697
Depository fees	602,869	115,120	17,250	16,058
Audit, printing and publishing expenses	56,377	11,259	762	696
Bank charges	227,193	4,758	558	-
Net interest expense on swaps	214,334	214,334	-	-
Class A (dis) and Class A (acc) shares' maintenance charges (note 14)	224,467	224,467	-	-
Other charges	374,965	70,697	12,568	13,419
Total expenses	10,770,253	3,066,300	188,051	77,729
Expense reimbursement (note 16)	(504,702)	(213,246)	(9,768)	(5,679)
Net expenses	<u>10,265,551</u>	<u>2,853,054</u>	<u>178,283</u>	<u>72,050</u>
NET PROFIT/(LOSS) FROM INVESTMENTS	82,725,743	16,447,205	820,140	847,803
Realised profit on sale of investments	37,026,714	2,782,363	296,991	211,223
Realised loss on sale of investments	(64,947,080)	(3,616,109)	(36,880)	(637,799)
Net realised profit/(loss) on forward foreign exchange contracts	30,391,908	2,545,023	627,360	(20,653)
Net realised profit/(loss) on financial future contracts	132,229	-	-	-
Net realised profit/(loss) on credit default swap contracts	(15,061)	-	-	-
Net realised profit/(loss) on foreign exchange transactions	(1,351,922)	(8,246)	(6,761)	223
NET REALISED PROFIT/(LOSS) FOR THE PERIOD	83,962,531	18,150,236	1,700,850	400,797
Change in net unrealised appreciation/(depreciation) on:				
Unrealised appreciation on investments	155,671,217	15,991,382	2,743,560	1,486,384
Unrealised depreciation on investments	(187,038,010)	(19,905,026)	(3,830,587)	(1,939,759)
Forward foreign exchange contracts	(9,312,770)	(401,113)	(101,789)	13,023
Financial future contracts	(38,820)	-	-	-
Interest rate swap contracts	3,031	-	-	-
Credit default swap contracts	141,985	128,798	-	-
Foreign exchange transactions	146,718	(14)	4,421	2,458
Capital gains tax	(15,386)	-	-	-
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS	43,520,496	13,964,263	516,455	(37,097)
MOVEMENT OF CAPITAL				
Issue of shares	432,245,633	204,925,181	25,362,344	745,901
Redemption of shares	(240,862,739)	(144,939,208)	(36,943)	(549,127)
Equalisation (note 13)	957,694	465,166	78,618	(345)
	<u>192,340,588</u>	<u>60,451,139</u>	<u>25,404,019</u>	<u>196,429</u>
Dividends paid/accumulated (note 18)	(124,613,530)	(26,635,368)	(1,480,457)	(981,992)
NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT IN CAPITAL	67,727,058	33,815,771	23,923,562	(785,563)
NET ASSETS AT THE END OF THE PERIOD	<u>3,567,898,673</u>	<u>776,568,870</u>	<u>61,074,239</u>	<u>33,198,683</u>
Portfolio Turnover Ratio (note 20)		(0.21%)	28.57%	36.87%

^ This fund was closed on February 20, 2018

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2018 (CONTINUED)**

Franklin Emerging Market Debt Opportunities II Fund (EUR)	Global Balanced Regulation 28 Fund ^A (ZAR)	Franklin Upper Tier Floating Rate Fund (USD)	Franklin Multi- Sector Credit Income Fund (USD)
771,205,013	16,083,458	1,698,335,823	26,080,329
-	-	-	-
771,205,013	16,083,458	1,698,335,823	26,080,329
828,729	9,657	-	-
25,830,382	22,679	35,998,485	685,726
166,016	2,519	1,478,171	4,188
-	-	-	1,424
-	-	1,186,546	14,693
26,825,127	34,855	38,663,202	706,031
602,913	11,477	3,319,154	77,573
664,453	5,968	1,360,018	16,808
40,604	237	83,793	1,318
181,670	151,497	207,910	14,944
12,682	36,401	24,786	635
161,960	11	26,077	176
-	-	-	-
-	-	-	-
37,792	69,163	209,750	17,334
1,702,074	274,754	5,231,488	128,788
(137,361)	(244,902)	(65,275)	(25,170)
1,564,713	29,852	5,166,213	103,618
25,260,414	5,003	33,496,989	602,413
2,355,943	896,303	30,707,505	111,082
(4,629,923)	(786,466)	(54,875,634)	(125,296)
14,842,390	-	9,236,094	76,704
-	-	-	132,229
-	-	-	(15,061)
(1,020,948)	(348,568)	(77,137)	1,122
36,807,876	(233,728)	18,487,817	783,193
71,298,478	2,891,101	48,088,526	1,011,504
(99,331,861)	(5,137,217)	(39,199,701)	(1,772,715)
(3,782,783)	-	(4,240,117)	(13,740)
-	-	-	(38,820)
-	-	-	3,031
-	-	-	13,187
117,447	(25,509)	324	(282)
(12,738)	-	-	-
5,096,419	(2,505,353)	23,136,849	(14,642)
80,324,820	65,668	102,925,620	1,260,987
(179,152)	(13,578,105)	(94,031,494)	-
83,577	-	313,307	-
80,229,245	(13,512,437)	9,207,433	1,260,987
(48,268,653)	(65,668)	(35,883,043)	(1,326,110)
31,960,592	(13,578,105)	(26,675,610)	(65,123)
808,262,024	-	1,694,797,062	26,000,564
37.42%	N/A	71.02%	71.29%

The accompanying notes form an integral part of these financial statements

STATISTICAL INFORMATION

all classes in base currency unless otherwise stated

	Annualised Total Expense Ratio April 30, 2018 (See Note 17)	Shares Outstanding April 30, 2018	Net Asset Value per Share		
			April 30, 2018	October 31, 2017	October 31, 2016
FRANKLIN FLOATING RATE II FUND USD					
Franklin Floating Rate II Fund A (acc)	0.99%	7,285,192.201	13.56	13.36	12.96
Franklin Floating Rate II Fund A (acc) Euro Hedged	0.99%	2,038,187.091	9.36	9.36	9.25
Franklin Floating Rate II Fund A (Ydis)	0.99%	3,345,845.710	8.65	8.88	9.09
Franklin Floating Rate II Fund I (acc)	0.62%	22,121,032.286	14.00	13.77	13.31
Franklin Floating Rate II Fund I (acc) CHF Hedged	0.62%	439,878.198	10.03	10.02	-
Franklin Floating Rate II Fund I (acc) Euro Hedged	0.61%	1,934,482.671	9.62	9.60	9.46
Franklin Floating Rate II Fund I (acc) GBP Hedged	0.61%	257,020.000	10.14	10.07	-
Franklin Floating Rate II Fund I (Mdis)	0.62%	10,357,408.102	8.70	8.78	8.84
Franklin Floating Rate II Fund I (Qdis) Euro Hedged	0.62%	2,257,251.075	9.09	9.29	9.57
Franklin Floating Rate II Fund I (Ydis)	0.60%	500.000	10.08	10.13	-
Franklin Floating Rate II Fund I (Ydis) CHF Hedged	0.61%	250,000.000	9.68	10.04	-
Franklin Floating Rate II Fund I (Ydis) Euro Hedged	0.58%	9,246.491	9.82	10.01	-
Franklin Floating Rate II Fund W (acc)	0.67%	10,163,900.643	11.82	11.63	11.26
Franklin Floating Rate II Fund W (acc) Euro Hedged	0.67%	408,613.422	10.81	10.78	10.62
Franklin Floating Rate II Fund W (Qdis)	0.67%	4,319,480.867	9.89	9.98	-
Franklin Floating Rate II Fund Y (Mdis)**	0.05%	500.000	10.00	-	-
FRANKLIN EMERGING MARKET INVESTMENT GRADE DEBT FUND USD					
Franklin Emerging Market Investment Grade Debt Fund I (acc)	0.94%	1,129,479.266	11.83	11.80	11.10
Franklin Emerging Market Investment Grade Debt Fund I (acc) Euro	0.93%	743.080	13.18	13.63	13.60
Franklin Emerging Market Investment Grade Debt Fund I (acc) Euro Hedged	0.93%	1,760,709.000	11.20	11.34	10.90
Franklin Emerging Market Investment Grade Debt Fund Y (Mdis)*	0.15%	2,452,495.906	9.74	-	-
FRANKLIN EMERGING MARKET CORPORATE DEBT FUND USD					
Franklin Emerging Market Corporate Debt Fund I (acc)	1.10%	572,954.736	13.16	13.23	12.52
Franklin Emerging Market Corporate Debt Fund I (acc) Euro Hedged	1.09%	32,686.634	12.59	12.84	12.41
Franklin Emerging Market Corporate Debt Fund Y (Mdis) Euro	0.21%	2,225,975.152	9.36	9.96	10.43
FRANKLIN EMERGING MARKET DEBT OPPORTUNITIES II FUND EUR					
Franklin Emerging Market Debt Opportunities II Fund I (Ydis)	0.89%	19,636,331.569	8.96	9.48	9.55
Franklin Emerging Market Debt Opportunities II Fund X (Ydis)	0.19%	61,676,472.246	10.25	10.87	10.93
GLOBAL BALANCED REGULATION 28 FUND ZAR^					
Global Balanced Regulation 28 Fund I (acc)	-	-	-	154.06	132.19
FRANKLIN UPPER TIER FLOATING RATE FUND USD					
Franklin Upper Tier Floating Rate Fund I (acc)	0.61%	69,565.000	10.20	10.10	-
Franklin Upper Tier Floating Rate Fund I (Qdis)	0.61%	111,495,501.105	9.70	9.80	9.91
Franklin Upper Tier Floating Rate Fund I (Qdis) CHF Hedged	0.61%	26,501,190.923	9.08	9.33	9.64
Franklin Upper Tier Floating Rate Fund I (Qdis) Euro Hedged	0.61%	33,018,348.984	9.27	9.50	9.78
FRANKLIN MULTI-SECTOR CREDIT INCOME FUND USD					
Franklin Multi-Sector Credit Income Fund I (acc)	0.79%	1,948,000.000	11.42	11.44	10.78
Franklin Multi-Sector Credit Income Fund I (acc) AUD Hedged	0.80%	70,997.515	11.56	11.60	10.87
Franklin Multi-Sector Credit Income Fund I (acc) CHF Hedged	0.79%	48,617.500	10.79	11.00	10.59
Franklin Multi-Sector Credit Income Fund I (acc) Euro Hedged	0.79%	44,593.090	10.91	11.09	10.69
Franklin Multi-Sector Credit Income Fund I (acc) GBP Hedged	0.79%	32,931.570	11.20	11.34	10.83
Franklin Multi-Sector Credit Income Fund I (Qdis) Euro Hedged	0.79%	44,593.090	9.67	10.10	10.25
Franklin Multi-Sector Credit Income Fund I (Ydis)	0.80%	500.000	10.24	10.83	10.75
Franklin Multi-Sector Credit Income Fund I (Ydis) Euro	0.80%	445.931	9.51	10.42	10.99
Franklin Multi-Sector Credit Income Fund I (Ydis) Euro Hedged	0.79%	44,593.090	9.81	10.50	10.65
Franklin Multi-Sector Credit Income Fund I (Ydis) GBP Hedged	0.79%	32,931.570	10.02	10.67	10.82

**This share class was launched on January 26, 2018

* This share class was launched on January 12, 2018

^This fund was closed on February 20, 2018

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018

Note 1 — The Company

Franklin Templeton Series II Funds (“FTSIF” or the “Company”) is an Undertaking for Collective Investment pursuant to Part II of the Luxembourg law of December 17, 2010 relating to Undertakings for Collective Investment, as amended, and qualifies as a *société d’investissement à capital variable*. The Company qualifies as an Alternative Investment Fund within the meaning of article 1(39) of the law of 12 July 2013. The Company was incorporated in Luxembourg on May 14, 2007, for an undetermined period of time. At the date of this report, it offers shares in 6 sub-funds of the Company (the “Fund(s)”). The Board of Directors of the Company may authorise the creation of additional Funds in the future with different investment objectives.

The exclusive objective of the Company is to invest the assets of the Funds in transferable securities and other permitted assets of any kind, including units or shares of Investment Funds, with the purpose of spreading investment risks and affording its shareholders the results of the management of its assets.

Management Company

As of May 1, 2014, the Company has appointed Franklin Templeton International Services S.à r.l. as its Management Company.

Funds changes

On January 12, 2018, the following class launched:

- Franklin Emerging Market Investment Grade Debt Fund Y (Mdis)

On January 26, 2018, the following class launched:

- Franklin Floating Rate II Fund Y (Mdis)

On February 20, 2018, the following fund closed:

- Global Balanced Regulation 28 Fund

Note 2 — Significant accounting policies

(a) General

The financial statements are prepared in accordance with the regulations of the Grand Duchy of Luxembourg relating to investment funds.

(b) Investment in securities

Corporate debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Senior secured corporate loans with floating or variable interest rates generally trade in the over-the-counter market rather than on a securities exchange. The Company may utilise independent pricing services, quotations from loan dealers and other financial institutions, and information with respect to bond and note transactions, to assist in determining a current market value for each security. These pricing services use independent market quotations from loan dealers or financial institutions and may incorporate valuation methodologies that consider multiple bond characteristics such as dealer quotes, issuer type, coupon, maturity, weighted average maturity, interest rate spreads and yield curves, cash flow and credit risk/quality analysis to determine current value.

Securities which are listed on a stock exchange or traded on any other organised market are valued at the last available price on such exchange or market which is normally the principal market for each security, and those securities dealt in on an over-the-counter market are valued in a manner as near as possible to that for quoted securities.

Securities not listed on any stock exchange nor traded on any organised market are valued at the last available price, or if such price is not representative of their fair value, they are valued prudently and in good faith on the basis of their reasonably foreseeable sales prices.

For mortgage-backed and other similar holdings with scheduled debt paydowns, the Company records estimates, based on its historical experience, for anticipated paydowns. Such estimates are recorded as a reduction or increase to the related holdings as disclosed on the Schedule of Investments and are included in the related unrealised appreciation/(depreciation) on investments shown on the “Statement of Operations and Changes in Net Assets”.

Stocks, shares or units in open-ended investment funds are valued based on the last available net asset value determined according to the provisions of the particular investment fund’s prospectus as provided by the administration agent of such investment fund.

The Management Company has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. In such circumstances, the price of such investment shall be adjusted in accordance with the procedures adopted, as determined by or under the direction of the Board of Directors.

During the accounting period under review, discounts and premiums were amortised to income over the period to maturity, or date sold, if earlier and gains and losses on investment securities sold were computed on the average cost basis for all Funds.

(c) Forward foreign exchange contracts

Forward foreign exchange contracts are valued at the forward rate applicable at the “Statement of Net Assets” date for the remaining period, until maturity. Gains or losses resulting from forward foreign exchange contracts are recognised in the “Statement of Operations and Changes in Net Assets”.

(d) Income

Interest income is accrued on a daily basis.

Where applicable, dividends are credited to income on their ex-dividend date.

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 2 — Significant accounting policies (continued)

(e) Charges and expenses

All expenses are estimated and accrued daily in the calculation of the Net Asset Value of each Fund.

(f) Formation expenses

Formation expenses associated with the launch of new Funds are expensed as incurred.

(g) Senior Floating Rate Interest

Senior secured corporate loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity.

Senior secured corporate loans in which Franklin Floating Rate II Fund, Franklin Upper Tier Floating Rate Fund or Franklin Multi-Sector Credit Income Fund invest are generally readily marketable, but may be subject to some restrictions on resale.

(h) Foreign exchange transactions

Transactions expressed in currencies other than each Fund's currency are translated into each Fund's currency at the exchange rates applicable on the transaction dates.

Assets and liabilities denominated in currencies other than each Fund's currency are translated into each Fund's currency at the appropriate exchange rates ruling at the period-end. Gains and losses on foreign exchange transactions are recognised in the "Statement of Operations and Changes in Net Assets" in determining the results for the accounting year.

The reference currency of the Company as reflected in the financial statements is U.S. dollar. The principal exchange rates applied as at April 30, 2018 are as follows:

Exchange Rate	U.S. dollar
Australian Dollar	1.3283
British Pound Sterling	0.7263
Euro	0.8279
Japanese Yen	109.3050
South African Rand	12.4618
Swiss Franc	0.9908

(i) Interest Rate Swap contracts

Interest rate swap contracts are used to hedge the risk of changes in interest rates and are agreements between two parties to exchange cash flows based on a notional principal amount. The net interest received or paid on interest rate swap contract agreements is accrued daily as interest income/expense.

Interest rate swap contracts are marked to market daily based upon quotations from the market makers and the change, if any, is recorded as an unrealised gain or loss in the "Statements of Operations and Changes in Net Assets". When the swap is terminated early, the Fund records a realised gain or loss equal to the difference between the current net present value and the executed net present value. Any outstanding interest accrual is recorded as either a net receivable or net payable.

The risks of interest rate swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

(j) Credit Default Swap contracts

A Credit Default Swap contract is a credit derivative transaction in which two parties enter into an agreement, whereby one party pays the other a fixed periodic payment for the specified life of the agreement. The other party makes no payments unless a credit event, relating to a predetermined reference asset, occurs. If such an event occurs, the party will then make a payment to the first party, and the swap will terminate. The value of the underlying securities shall be taken into account for the calculation of the investment and borrowing powers applicable to individual users.

Credit default swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded as an unrealised gain or loss in the "Statement of Operations and Changes in Net Assets". Any payment received or paid to initiate a contract is recorded as a liability or asset in the "Statement of Net Assets". When the swap contract is terminated early, the Fund records a realised gain or loss for any payments received or paid.

The risks of credit default swap contracts include unfavorable changes in interest rates, an illiquid secondary market and the possible inability of the counterparty to fulfill its obligations under the agreement, which may be in excess of the amount reflected in the "Statement of Net Assets".

(k) Financial Future contracts

The Company may enter into financial future contracts to gain exposure to market changes. A financial future contract is an agreement between two parties to buy or sell a security for a set price on a future date. Required initial margin deposits of cash or securities are maintained by a broker in a segregated account. Subsequent payments, known as variation margin, are made or received by the Company depending on the fluctuations in the value of the underlying securities. Such variation margin is accounted for as unrealised gains or losses until the contract is closed, at which time the gains or losses are reclassified to realised gains or losses. Realised and unrealised gains and losses are included in the "Statement of Operations and Changes in Net Assets".

(l) Cross sub-fund investments

As at April 30, 2018, the total cross sub-fund investment amounted to USD 71,466,711 and therefore the total combined net assets at period-end without cross sub-fund investments would amount to USD 3,496,431,962.

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 2 — Significant accounting policies (continued)

(m) Combined financial statements

The accounts of the Company are expressed in U.S. dollars and the accounts of the Funds are kept in the currency of each Fund. The combined “Statement of Net Assets” and the combined “Statement of Operations and Changes in Net Assets” are the sum of the “Statement of Net Assets” and the “Statement of Operations and Changes in Net Assets” of each Fund converted into the currency of the Company using exchange rates prevailing at period-end.

Note 3 — Investment management fees

The Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage per annum (as detailed below) of each Fund’s adjusted daily net assets during the year. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company. The following percentages apply in respect of the following Funds as at April 30, 2018.

No management fee is payable by an investor on the acquisition of Class X and Class Y shares, instead a fee is paid to the Investment Manager or affiliates under a separate agreement.

	Class A	Class I	Class W
Franklin Floating Rate II Fund	0.60%	0.40%	0.40%
Franklin Emerging Market Investment Grade Debt Fund	-	0.65%	0.65%
Franklin Emerging Market Corporate Debt Fund	-	0.80%	0.80%
Franklin Emerging Market Debt Opportunities II Fund	-	0.70%	0.70%
Franklin Upper Tier Floating Rate Fund	-	0.40%	-
Franklin Multi-Sector Credit Income Fund	0.80%	0.60%	0.60%

Note 4 — Forward foreign exchange contracts

As at April 30, 2018 the Company had entered into the following outstanding contracts:

Franklin Floating Rate II Fund

Purchases	Sales		Maturity Date	Unrealised profit/(loss) USD	
Forward foreign exchange contracts used for share class hedging:					
EUR	61,348,314	USD	75,275,109	10-May-18	(1,119,337)
GBP	2,519,979	USD	3,536,679	10-May-18	(65,486)
USD	735,876	EUR	596,344	10-May-18	15,035
CHF	6,593,557	USD	6,867,063	11-May-18	(205,510)
					<u>(1,375,298)</u>

The above contracts were opened with the following counterparties:

Bank of America	(238,898)
Barclays Bank	(6,108)
BNP Paribas	(21,491)
Citibank	(140,568)
Credit Suisse International	(8,186)
Deutsche Bank	(9,867)
Goldman Sachs	(94,217)
HSBC Bank	(155,005)
JPMorgan Chase Bank	(332,187)
Morgan Stanley	(235,645)
The Bank of New York Mellon	(1,593)
UBS	(131,533)
	<u>(1,375,298)</u>

Franklin Emerging Market Investment Grade Debt Fund

Purchases	Sales		Maturity Date	Unrealised profit/(loss) USD	
Forward foreign exchange contracts used for share class hedging:					
EUR	19,368,167	USD	23,764,286	10-May-18	(352,699)

The above contracts were opened with the following counterparties:

Bank of America	(21,954)
Barclays Bank	(13,630)
Citibank	(24,327)
Credit Suisse International	(89,521)
Deutsche Bank	(307)
Goldman Sachs	(68,041)
HSBC Bank	(14,750)
JPMorgan Chase Bank	(55,111)
Morgan Stanley	(28,054)
UBS	(37,004)
	<u>(352,699)</u>

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 4 — Forward foreign exchange contracts (continued)

Franklin Emerging Market Corporate Debt Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
EUR	407,984	USD	500,536	10-May-18	(7,379)
USD	10,989	EUR	9,028	10-May-18	76
					(7,303)
Forward foreign exchange contracts used for efficient portfolio management:					
USD	1,059,702	EUR	850,000	12-Jun-18	29,592
					22,289

The above contracts were opened with the following counterparties:

Bank of America	(155)
Barclays Bank	29,592
Citibank	(1,376)
Credit Suisse International	(481)
Deutsche Bank	(1,308)
JPMorgan Chase Bank	(893)
Morgan Stanley	(1,436)
The Bank of New York Mellon	(283)
UBS	(1,371)
	22,289

Franklin Emerging Market Debt Opportunities II Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) EUR
Forward foreign exchange contracts used for efficient portfolio management:					
EUR	12,467,854	JPY	1,640,000,000	12-Jun-18	49,904
EUR	493,205,631	USD	614,700,000	12-Jun-18	(14,016,165)
					(13,966,261)

The above contracts were opened with the following counterparties:

Barclays Bank	(2,813,435)
Citibank	(2,947,339)
Deutsche Bank	(2,841,338)
Morgan Stanley	(2,794,526)
RBC Capital Markets	(2,569,623)
	(13,966,261)

Franklin Upper Tier Floating Rate Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
CHF	232,886,108	USD	242,423,663	15-May-18	(7,053,218)
EUR	297,963,986	USD	368,272,547	15-May-18	(7,967,067)
					(15,020,285)

The above contracts were opened with the following counterparties:

Bank of America	(184,958)
BNP Paribas	(85,554)
Citibank	(605,113)
Deutsche Bank	(1,087,601)
Goldman Sachs	(4,128,790)
HSBC Bank	(2,531,567)
JPMorgan Chase Bank	(4,429,740)
Morgan Stanley	(1,814,128)
UBS	(152,834)
	(15,020,285)

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 4 — Forward foreign exchange contracts (continued)

Franklin Multi-Sector Credit Income Fund

Purchases		Sales		Maturity Date	Unrealised profit/(loss) USD
Forward foreign exchange contracts used for share class hedging:					
AUD	799,813	USD	620,214	15-May-18	(18,060)
CHF	513,935	USD	535,358	15-May-18	(15,939)
EUR	1,311,218	USD	1,621,350	15-May-18	(35,791)
GBP	680,400	USD	966,306	15-May-18	(28,849)
					<u>(98,639)</u>
Forward foreign exchange contracts used for efficient portfolio management:					
USD	109,145	CHF	100,850	19-Jul-18	6,616
USD	1,224,530	EUR	980,000	19-Sep-18	27,086
USD	349,109	GBP	245,000	19-Sep-18	9,417
					<u>43,119</u>
					<u>(55,520)</u>
The above contracts were opened with the following counterparties:					
Bank of America					(3,413)
BNP Paribas					(392)
Citibank					(3,334)
Deutsche Bank					(307)
HSBC Bank					(340)
JPMorgan Chase Bank					(43,152)
Morgan Stanley					(1,439)
Toronto-Dominion Bank					(1,285)
UBS					(1,858)
					<u>(55,520)</u>

Note 5 — Open positions on financial future contracts

As at April 30, 2018, the Company had entered into the following outstanding contracts.

Franklin Multi-Sector Credit Income Fund

Number of contracts purchased/(sold)	Description	Counterparty	Trading currency	Commitment USD	Unrealised profit/(loss) USD
Bond Future					
(9)	U.S. Treasury 10 Yr. Note Future, Jun. 2018	JPMorgan Chase Bank	USD	(1,076,625)	<u>2,086</u>

Note 6 — Open positions on interest rate swap contracts

As at April 30, 2018, the Company had entered into the following outstanding contracts.

Franklin Multi-Sector Credit Income Fund

Notional amount	Description	Counterparty	Maturity date	Trading currency	Unrealised profit/(loss) USD
1,600,000	Receiving floating rate 3-month USD LIBOR Paying fixed rate 2%	Citibank	20-Jun-25	USD	<u>3,031</u>

Note 7 — Open positions on credit default swap contracts

As at April 30, 2018, the Company had entered into the following outstanding contracts.

Franklin Floating Rate II Fund

Nominal	Description	Interest paid/received %	Counterparty	Buy/Sell Protection	Trading currency	Market value USD	Unrealised profit/(loss) USD
8,526,000	CDX.NA.HY.26, Jun. 2021	5.00	JPMorgan Chase Bank	Buy	USD	(606,686)	<u>84,464</u>

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 7 — Open positions on credit default swap contracts (continued)

Franklin Multi-Sector Credit Income Fund

Nominal	Description	Interest paid/received %	Counterparty	Buy/Sell Protection	Trading currency	Market value USD	Unrealised profit/(loss) USD
40,000	Ally Financial Inc., senior note, 7.50%, 09/15/20, Dec. 2022	5.00	Citibank	Buy	USD	(6,674)	849
60,000	Ally Financial Inc., senior note, 7.50%, 09/15/20, Dec. 2022	5.00	JPMorgan Chase Bank	Buy	USD	(10,011)	1,345
600,000	1Y (Dec-18) HY Bespoke 6-10% Mezz Axe CDX Index, Dec. 2018	0.63	Citibank	Sell	USD	709	709
175,000	CDX.NA.HY.30, Jun. 2023	5.00	Citibank	Sell	USD	12,093	1,254
600,000	Citibank Bespoke 1 Year Mezzanine Tranche, Jun. 2018	0.50	Citibank	Sell	USD	(316)	(316)
65,000	Citibank Bespoke 58 IG/42 HY Equity Tranche 0-3% Index, Jun. 2019	1.00	Citibank	Sell	USD	(5,408)	12,142
160,000	Citibank Bespoke Cambridge Dec 19 0-3% Equity Tranche Index, Dec. 2019	1.00	Citibank	Sell	USD	(29,194)	(3,754)
140,000	Citibank Bespoke Verona Dec 19 Index, Dec. 2019	1.00	Citibank	Sell	USD	(23,782)	10,518
600,000	Citibank Bespoke Verona Dec 19 Index, Dec. 2019	0.40	Citibank	Sell	USD	1,044	1,044
						<u>(61,539)</u>	<u>23,791</u>

Note 8 — Time deposits

As at April 30, 2018, the Company held no time deposits.

Note 9 — Unfunded loan commitments

Franklin Floating Rate II Fund, Franklin Upper Tier Floating Rate Fund and Franklin Multi-Sector Credit Income Fund may enter into certain credit agreements, all or a portion of which may be unfunded. It is obliged to fund these loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the Schedule of Investments.

As at April 30, 2018 the Franklin Multi-Sector Credit Income Fund did not have any unfunded commitments.

At April 30, 2018, unfunded commitments were as follows:

Franklin Floating Rate II Fund

Borrower	Unfunded Commitment Cost USD	Unfunded Commitment Market Value USD	Unrealised Gain/Loss USD
Appvion Inc.	243,180	244,841	1,661
BMC Software Finance Inc.	1,165,425	1,322,015	156,590
Total	<u>1,408,605</u>	<u>1,566,856</u>	<u>158,251</u>

Franklin Upper Tier Floating Rate Fund

Borrower	Unfunded Commitment Cost USD	Unfunded Commitment Market Value USD	Unrealised Gain/Loss USD
BMC Software Finance Inc.	6,163,537	6,932,301	768,764
Total	<u>6,163,537</u>	<u>6,932,301</u>	<u>768,764</u>

Note 10 — Securities lending

As at April 30, 2018, the Company was not involved in any securities lending programs.

Note 11 — Taxation

Under current laws and practice, the Company is not liable in the Grand Duchy of Luxembourg to any tax on its profits or income and is not subject to the Grand Duchy of Luxembourg's net wealth tax. In addition, no capital gains tax is payable in the Grand Duchy of Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is liable in the Grand Duchy of Luxembourg to a tax of 0.05% per annum, such tax being accrued monthly and paid quarterly, and calculated on the net asset value of each Fund at the end of each relevant quarter. This tax is not applicable for the portion of the assets of a Fund invested in other Undertakings for Collective Investment that have already been subject to such tax. Class I, X and Y shares may benefit from a reduced rate of 0.01% per annum if all shareholders of these share classes are institutional investors.

Investment income received or capital gains realised by the Company may be subject to tax in the countries of origin. All liabilities in respect of taxes payable on unrealised capital gains on investments are provided for as soon as there is a reasonable certainty that a liability will crystallise.

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 11 — Taxation (continued)

No stamp duty or other tax is payable in the Grand Duchy of Luxembourg on the issue of shares in the Company. A EUR 75 registration duty is to be paid upon incorporation and each time the Articles of the Company are amended.

The Company is registered for Value Added Tax in the Grand Duchy of Luxembourg and subject to account for Value Added Tax in accordance with current laws.

Note 12 — Statement of changes in the investment portfolio

A list, specifying for each Fund total purchases and sales transacted during the period under review, may be obtained free of charge, upon request, at the registered office of the Company.

Note 13 — Equalisation

The Funds use an accounting practice known as equalisation, by which a portion of the proceeds from issues and the costs of sale of shares, equivalent on a per share basis to the amount of undistributed net investment income on the date of the transaction, is credited or charged to undistributed income. As a result, undistributed net investment income per share is unaffected by issues or redemptions of shares. However, in respect of any Fund offering only accumulation shares, the Board of Directors reserves the right not to apply equalisation.

Note 14 — Classes of shares: A(acc), A(dis), I(acc), I(dis), W(acc), W(dis), X (dis), Y(dis) and alternative currency hedged class of shares

Class A(acc) Shares: Shares offered at the applicable net asset value, plus an entry charge of up to 6.50% of the total amount invested. In addition, a maintenance charge of up to 0.40% per annum of the applicable average net asset value per share of the relevant Fund is deducted and paid to the Principal Distributor. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor. In relation to qualified investments of USD 1 million or more, the entry charge may be waived and a contingent deferred sales charge of up to 1.00% may apply if an investor sells shares within 18 months after each investment. No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares.

Class A(dis) Shares: Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class). All other terms and conditions are the same as those which apply for Class A(acc) shares.

Class I(acc) Shares: Shares offered to institutional investors as more fully described in the current Prospectus of the Company. No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares. Class I(acc) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced Investment Management fee (note 3).

Class I(dis) Shares: Shares offered to institutional investors as more fully described in the current prospectus of the Company. Purchases of Class I (dis) shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class I shares benefit from a reduced Investment Management fee (note 3). Distribution of dividend will be made monthly, quarterly or annually (depending on the frequency of the share class).

Class W(acc) Shares: No distribution of dividends will be made but the net income attributable will be reflected in the increased value of the shares. Class W shares are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class W(acc) shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class W(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class W(dis) shares may be offered in certain limited circumstances as more fully described in the current prospectus of the Company.

Class X(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class X Shares are designed to accommodate an alternative charging structure whereby a fee covering the investment management fees is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton Investments and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class X Shares. Class X Shares may only be offered to Institutional Investors in certain limited circumstances, at the discretion of the Management Company or the Investment Manager and its affiliates, as more fully described in the current prospectus of the Company.

Class Y(dis) Shares: are not subject to an entry charge, contingent deferred sales charge nor any maintenance charge. Class Y shares are designed to accommodate an alternative charging structure whereby a fee covering the investment management and the registrar, transfer, corporate, domiciliary and administration fees is levied and collected by the Management Company directly from the Investors who are clients of Franklin Templeton Investments and who enter into a specific agreement with the Management Company. These fees will therefore not be payable out of the net assets of the relevant Fund attributable to Class Y Shares. Class Y Shares may only be offered to Institutional Investors in certain limited circumstances, at the discretion of the Management Company and/or its affiliates, as more fully described in the current prospectus of the Company.

Alternative currency hedged share classes: Shareholders of the hedged share class may be exposed to fluctuations in the Net Asset Value per Share reflecting the gains/losses on and the costs of the relevant financial instruments. The gains/losses and the costs of the relevant financial instruments will accrue solely to the relevant hedged share class.

The above mentioned distributing share classes may have different frequencies: Mdis share classes distribute monthly, Qdis share classes distribute quarterly and Ydis share classes distribute annually.

Note 15 — Connected party transactions

Certain directors of the Company are or may also be officers and/or directors of the Management Company, i.e. Franklin Templeton International Services S.à r.l. or of the Investment Managers, among others, Templeton Asset Management Ltd., Franklin Advisers Inc., Franklin Templeton Institutional, LLC or Franklin Templeton Investment Management Limited. All transactions with connected parties were entered into in the ordinary course of business and under normal commercial terms.

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 15 — Connected party transactions (continued)

The investment managers will be remunerated by the Management Company out of the investment management fee received from the Company, as more fully detailed in note 3 to the financial statements.

There are no connected brokers in Franklin Templeton Investments, and no transactions were entered into with connected brokers during the period ended April 30, 2018.

The Company accrued fees in respect of Franklin Templeton International Services S.à r.l. as the Management Company and as the Principal Distributor of the Funds from November 1, 2017 to April 30, 2018.

Note 16 — Expense reimbursement

For the period ended April 30, 2018, the following expenses have been either reimbursed in the first instance by the Administrative Agent, Franklin Templeton International Services S.à r.l., or in the event that the expense exceeded the Administration fee, by the Funds' individual Investment Manager as detailed on page 3.

In the event that the expenses exceeded the Administration and Investment Management fees, they have been reimbursed by Franklin Templeton International Services S.à r.l.

Franklin Floating Rate II Fund	USD	213,246
Franklin Emerging Market Investment Grade Debt Fund	USD	9,768
Franklin Emerging Market Corporate Debt Fund	USD	5,679
Franklin Emerging Market Debt Opportunities II Fund	EUR	137,361
Global Balanced Regulation 28 Fund	ZAR	244,902
Franklin Upper Tier Floating Rate Fund	USD	65,275
Franklin Multi-Sector Credit Income Fund	USD	25,170

Note 17 — Total Expense Ratio

The Total Expense Ratio ("TER"), expressed as a percentage, represents how the total expenses of the Funds relate to the average net assets of the Funds for the period ended April 30, 2018. The total expenses comprise the investment management fees, the administration and transfer agency fees, the depositary fees and other charges as summarised in the "Statement of Operations and Changes in Net Assets".

NOTES TO FINANCIAL STATEMENTS AT APRIL 30, 2018 (CONTINUED)

Note 18 — Annual and Interim dividends distributed per share for the period ended April 30, 2018

	Annual Distribution Nov- 2017	Nov- 2017	Dec- 2017	Jan- 2018	Feb- 2018	Mar- 2018	Apr- 2018
Franklin Floating Rate II Fund							
A (Ydis) USD	0.360						
I (Mdis) USD		0.031	0.043	0.031	0.048	0.022	0.042
I (Qdis) EUR-H1		0.106			0.123		
I (Ydis) USD	0.213						
I (Ydis) CHF-H1	0.366						
I (Ydis) EUR-H1	0.208						
W (Qdis) USD		0.112			0.138		
Y (Mdis) USD**					0.007	0.024	0.049
Franklin Emerging Market Investment Grade Debt Fund							
Y (Mdis) USD*					0.024	0.047	0.046
Franklin Emerging Market Corporate Debt Fund							
Y (Mdis) EUR		0.041	0.043	0.042	0.041	0.041	0.040
Franklin Emerging Market Debt Opportunities II Fund							
I (Ydis) EUR	0.542						
X (Ydis) EUR	0.694						
Franklin Upper Tier Floating Rate Fund							
I (Qdis) USD		0.103			0.100		
I (Qdis) CHF-H1		0.106			0.100		
I (Qdis) EUR-H1		0.106			0.100		
Franklin Multi-Sector Credit Income Fund							
I (Qdis) EUR-H1		0.138			0.132		
I (Ydis) USD	0.558						
I (Ydis) EUR	0.537						
I (Ydis) EUR-H1	0.521						
I (Ydis) GBP-H1	0.529						

**This share class was launched on January 26, 2018

* This share class was launched on January 12, 2018

Note 19 — Audited and unaudited semi-annual reports

The audited annual reports and unaudited semi-annual reports will be available on the local Franklin Templeton Investments website, www.franklintempleton.lu or may be obtained, free of charge, on request at the registered office of the Company; they are only distributed to registered shareholders in those countries where local regulation so requires. The complete audited annual reports and unaudited semi-annual reports are available at the registered office of the Company.

Note 20 — Portfolio Turnover Ratio

The portfolio turnover ratio, expressed as a percentage, is equal to the total of purchases and sales of securities netted against the absolute value of subscriptions and redemptions over average net assets of the Fund for the year. It is effectively a measure of how frequently a fund buys or sells securities other than required to support subscriptions and redemptions.

Note 21 — Credit Facilities

Effective February 9, 2018, the Company together with other European and U.S. registered investment funds managed by Franklin Templeton Investments (individually, Borrower; collectively, Borrowers), entered into a joint syndicated revolving senior unsecured credit facility totalling USD 2,000 million (Global Credit Facility) with a group of banks to provide a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, a Borrower shall, in addition to interest charged on any borrowings and other costs incurred by the Borrower, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee based upon the unused portion of the Global Credit Facility. During the financial period ended April 30, 2018, the Company did not utilise the Global Credit Facility.

On January 8, 2018, the Franklin Upper Tier Floating Rate Fund did not renew the syndicated senior unsecured revolving credit facility (Floating Rate Facility) entered into with several banks. Instead, effective February 9, 2018, it was added to the Global Credit Facility. During the financial period ended April 30, 2018, the Company did not utilise the Floating Rate Facility.

Note 22 — Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, brokers and dealers. For debt securities and derivative, transaction costs are not separately identifiable from the purchase price of the security and therefore cannot be disclosed separately.

— Franklin Floating Rate II Fund —

SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	INVESTMENTS FUNDS				
	Other Diversified Financial Services				
7,367,702	Franklin Upper Tier Floating Rate Fund, Class I (Qdis)	LUX	USD	<u>71,466,711</u>	<u>9.21</u>
	TOTAL INVESTMENTS FUNDS			<u>71,466,711</u>	<u>9.21</u>
	SHARES				
	Oil & Gas Exploration & Production				
53,083	Samson Resources II LLC	USA	USD	<u>1,247,450</u>	<u>0.16</u>
	TOTAL SHARES			<u>1,247,450</u>	<u>0.16</u>
	ASSET-BACKED SECURITIES				
	Other Diversified Financial Services				
11,675,000	LCM XXV Ltd., 25A, B2, 144A, FRN, 4.009%, 07/20/30	USA	USD	11,717,614	1.51
7,100,000	Carlyle Global Market Strategies CLO Ltd., 2015-2A, A1, 144A, FRN, 3.836%, 04/27/27	USA	USD	7,134,293	0.92
6,600,000	LCM XXIV Ltd., 24A, A, 144A, FRN, 3.669%, 03/20/30	USA	USD	6,705,996	0.86
5,000,000	BlueMountain Fuji U.S. CLO II Ltd., 2017-2A, B, 144A, FRN, 4.509%, 10/20/30	USA	USD	5,020,050	0.65
3,400,000	Carlyle U.S. CLO Ltd., 2017-1A, A1A, 144A, FRN, 3.659%, 04/20/31	USA	USD	3,413,770	0.44
3,017,000	Ares XXXVIII CLO Ltd., 2015-4A, BR, 144A, FRN, 4.148%, 10/15/30	USA	USD	3,014,345	0.39
2,985,714	Octagon Investment Partners 30 Ltd., 144A, FRN, 3.679%, 03/17/30	USA	USD	3,005,181	0.39
2,490,000	NZCG Funding Ltd., 2015-1A, A2R, 144A, FRN, 3.494%, 02/26/31	USA	USD	2,490,573	0.32
2,300,000	Carlyle Global Market Strategies CLO Ltd., 2014-2A, AR, 144A, FRN, 3.089%, 05/15/25	USA	USD	2,299,540	0.30
2,000,000	TCI-Cent CLO Income Note Issuer Ltd., 2017-1A, B, 144A, FRN, 4.709%, 07/25/30	USA	USD	2,015,560	0.26
1,900,000	Madison Park Funding Ltd., 2016-21A, A1, 144A, FRN, 3.889%, 07/25/29	USA	USD	1,932,281	0.25
1,867,000	Magnetite XVIII Ltd., 2016-18A, C, 144A, FRN, 4.189%, 11/15/28	USA	USD	1,874,953	0.24
1,672,507	Voya CLO Ltd., 2017-3A, B, 144A, FRN, 4.709%, 07/20/30	USA	USD	1,687,944	0.22
1,575,000	Carlyle Global Market Strategies CLO Ltd., 2012-4A, C1R, 144A, FRN, 4.959%, 01/20/29	USA	USD	1,586,639	0.20
1,197,000	Magnetite IX Ltd., 2014-9A, BR, 144A, FRN, 4.359%, 07/25/26	USA	USD	1,198,412	0.15
1,154,000	Neuberger Berman CLO Ltd., 2017-26A, C, 144A, FRN, 4.105%, 10/18/30	USA	USD	1,147,988	0.15
975,000	BlueMountain Fuji U.S. CLO I Ltd., 2017-1A, C, 144A, FRN, 4.709%, 07/20/29	USA	USD	980,909	0.13
960,000	Atrium XII, 2012A, CR, 144A, FRN, 4.011%, 04/22/27	USA	USD	959,587	0.12
931,334	LCM XXV Ltd., 25A, C2, 144A, FRN, 4.659%, 07/20/30	USA	USD	936,997	0.12
900,000	Octagon Investment Partners XXII Ltd., 2014-1A, CRR, 144A, FRN, 4.261%, 01/22/30	USA	USD	901,062	0.12
900,000	Dryden 30 Senior Loan Fund, 2013-30A, A, 144A, FRN, 3.539%, 11/15/28	USA	USD	900,657	0.12
900,000	BlueMountain Fuji U.S. CLO III Ltd., 2017-3A, C, 144A, FRN, 3.427%, 01/15/30	USA	USD	895,626	0.11
886,008	Octagon Investment Partners 31 LLC, 2017-1A, C, 144A, FRN, 4.759%, 07/20/30	USA	USD	890,952	0.11
840,000	Eaton Vance CDO Ltd., 2014-1A, AR, 144A, FRN, 3.548%, 07/15/26	USA	USD	838,690	0.11
750,000	Madison Park Funding XXIV Ltd., 2016-24A, C1, 144A, FRN, 4.958%, 01/20/28	USA	USD	756,120	0.10
600,000	BlueMountain CLO Ltd., 2012-2A, CR, 144A, FRN, 4.485%, 11/20/28	USA	USD	603,516	0.08
600,000	Eaton Vance CLO, 2015-1A, CR, 144A, FRN, 4.259%, 01/20/30	USA	USD	600,492	0.08
507,000	AMMC CLO XII Ltd., 2013-12A, CR, 144A, FRN, 3.71%, 11/10/30	USA	USD	508,835	0.07
507,000	Carlyle U.S. CLO Ltd., 2017-4A, B, 144A, FRN, 4.198%, 01/15/30	USA	USD	506,670	0.06
502,500	Magnetite XI Ltd., 2014-11A, BR, 144A, FRN, 4.455%, 01/18/27	USA	USD	503,389	0.06
400,000	Magnetite XIV Ltd., 2015-14A, A, 144A, FRN, 3.745%, 07/18/28	USA	USD	400,724	0.05
350,000	Cent CLO, B, 144A, FRN, 5.359%, 01/30/25	USA	USD	351,306	0.04
300,000	Emerson Park CLO Ltd., 2013-1A, C2R, 144A, 4.055%, 07/15/25	USA	USD	300,375	0.04
				<u>68,081,046</u>	<u>8.77</u>
	TOTAL ASSET-BACKED SECURITIES			<u>68,081,046</u>	<u>8.77</u>
	BONDS				
	Industrial Machinery				
3,076,071	Onsite Rental Group Operations Pty. Ltd., secured note, PIK, 6.10%, 10/26/23‡	AUS	USD	<u>2,383,955</u>	<u>0.31</u>
	TOTAL BONDS			<u>2,383,955</u>	<u>0.31</u>
	SECURITIES MATURING WITHIN ONE YEAR				
15,000,000	U.S. Treasury Bill, 0.00%, 03/28/19	USA	USD	<u>14,704,686</u>	<u>1.89</u>
	TOTAL SECURITIES MATURING WITHIN ONE YEAR			<u>14,704,686</u>	<u>1.89</u>
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
				<u>157,883,848</u>	<u>20.34</u>
	TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS				
	SENIOR FLOATING RATE INTEREST				
	Aerospace & Defense				
9,831,845	Delos Finance S.A.R.L. (AerCap), New Loans, 4.052%, 10/06/23	LUX	USD	9,910,706	1.28
6,486,186	Doncasters U.S. Finance LLC, Term B Loans, 5.837%, 04/09/20	USA	USD	6,382,809	0.82
5,504,707	Flying Fortress Holdings LLC (ILFC), New Loan, 4.052%, 10/30/22	USA	USD	5,543,537	0.71
3,205,970	Doncasters U.S. Finance LLC, Second Lien Term Loan, 10.552%, 10/09/20	USA	USD	3,159,885	0.41
426,429	Leidos Innovations Corp., Term Loan B, 3.688%, 08/16/23	USA	USD	430,293	0.05
				<u>25,427,230</u>	<u>3.27</u>
	Agricultural Products				
3,607,944	Allflex Holdings III Inc., Second Lien Initial Term Loan, 9.362%, 07/19/21	USA	USD	<u>3,628,989</u>	<u>0.47</u>
	Airlines				
4,525,637	Air Canada, Term Loan, 3.984%, 10/06/23	CAN	USD	4,558,638	0.59
4,422,863	American Airlines Inc., 2017 Replacement Term Loans, 3.90%, 06/27/20	USA	USD	<u>4,435,026</u>	<u>0.57</u>
				<u>8,993,664</u>	<u>1.16</u>

— Franklin Floating Rate II Fund —

SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Apparel Retail					
18,435,089	Ascena Retail Group Inc., Tranche B Term Loan, 6.438%, 08/21/22	USA	USD	<u>16,161,434</u>	<u>2.08</u>
Auto Parts & Equipment					
6,254,895	Allison Transmission Inc., New Term Loans, 3.65%, 09/23/22	USA	USD	6,313,178	0.81
4,350,660	TI Group Automotive Systems LLC, Initial US Term Loan, 4.401%, 06/30/22	USA	USD	4,389,368	0.57
1,634,894	American Axle and Manufacturing Inc., Tranche B Term Loan, 4.15%, 04/06/24	USA	USD	<u>1,644,602</u>	<u>0.21</u>
				<u>12,347,148</u>	<u>1.59</u>
Broadcasting					
6,797,521	Sinclair Television Group Inc., Tranche B Term Loans, 4.16%, 01/03/24	USA	USD	6,832,752	0.88
5,041,982	Gray Television Inc., Term B-2 Loan, 4.137%, 02/07/24	USA	USD	5,069,294	0.65
2,500,000	Sinclair Television Group Inc., Tranche B-1 Term Loans, 6.25%, 01/31/25	USA	USD	2,514,323	0.33
1,186,847	Nexstar Broadcasting Inc., Term Loan B-2, 4.407%, 01/17/24	USA	USD	1,193,077	0.15
405,734	Nexstar Broadcasting Inc., Term A-2 Loan, 3.907%, 07/19/22	USA	USD	406,495	0.05
152,411	Mission Broadcasting Inc., Term Loan B-2, 4.407%, 01/17/24	USA	USD	153,212	0.02
28,356	Marshall Broadcasting Group Inc., Term Loan A-2, 3.907%, 06/28/18	USA	USD	28,409	0.01
13,708	WXXA-TV LLC and WLAJ-TV LLC, Term Loan A-2, 3.907%, 07/19/22	USA	USD	<u>13,734</u>	<u>0.00</u>
				<u>16,211,296</u>	<u>2.09</u>
Cable & Satellite					
7,745,569	CSC Holdings LLC, March 2017 Incremental Term Loans, 4.147%, 07/17/25	USA	USD	7,754,283	1.00
7,427,366	Charter Communications Operating LLC, Term A-2 Loan, 3.41%, 03/31/23	USA	USD	7,444,776	0.96
1,737,865	Mediacom Illinois LLC, Tranche N Term Loan, 3.50%, 02/15/24	USA	USD	1,747,096	0.22
1,000,000	Charter Communications Operating LLC, Term Loan B, 5.75%, 03/13/25	USA	USD	<u>1,005,625</u>	<u>0.13</u>
				<u>17,951,780</u>	<u>2.31</u>
Casinos & Gaming					
3,347,429	Eldorado Resorts Inc., Initial Term Loan, 4.125% - 4.188%, 04/17/24	USA	USD	3,367,306	0.43
2,531,601	Greektown Holdings LLC, Initial Term Loan, 4.901%, 04/25/24	USA	USD	2,538,324	0.33
2,474,291	CEOC LLC, Term B Loans, 4.377%, 10/06/24	USA	USD	2,482,023	0.32
2,016,452	Boyd Gaming Corp., Refinancing Term B Loans, 4.25%, 09/15/23	USA	USD	2,029,755	0.26
618,787	Boyd Gaming Corp., Term A Loan, 4.00%, 09/15/21	USA	USD	621,881	0.08
595,500	Kingpin Intermediate Holdings LLC, Initial Term Loans, 6.15%, 07/03/24	USA	USD	<u>605,981</u>	<u>0.08</u>
				<u>11,645,270</u>	<u>1.50</u>
Coal & Consumable Fuels					
10,789,101	Foresight Energy LLC, Term Loans, 8.109%, 03/28/22	USA	USD	10,581,411	1.36
3,883,133	Bowie Resource Holdings LLC, First Lien Initial Term Loan, 7.651%, 08/14/20	USA	USD	3,827,313	0.49
579,222	Bowie Resource Holdings LLC, Second Lien Initial Term Loan, 12.651%, 02/16/21	USA	USD	554,967	0.07
1,203,654	Westmoreland Coal Co., Term Loan, 8.802%, 12/16/20	USA	USD	<u>422,284</u>	<u>0.06</u>
				<u>15,385,975</u>	<u>1.98</u>
Commodity Chemicals					
5,686,072	Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 3.901%, 03/31/24	USA	USD	<u>5,713,172</u>	<u>0.74</u>
Communications Equipment					
3,202,111	Ciena Corp., Refinancing Term Loan, 4.397%, 01/28/22	USA	USD	3,222,124	0.41
2,843,930	CommScope Inc., Tranche 5 Term Loans, 3.901%, 12/29/22	USA	USD	<u>2,864,372</u>	<u>0.37</u>
				<u>6,086,496</u>	<u>0.78</u>
Construction & Engineering					
3,731,840	AECOM, Term B Loans, 3.651%, 03/13/25	USA	USD	<u>3,745,834</u>	<u>0.48</u>
Data Processing & Outsourced Services					
4,996,880	Wex Inc., Term B Loan, 4.151%, 07/01/23	USA	USD	5,035,916	0.65
2,693,727	First Data Corp., Term A Loan, 5.75%, 06/02/20	USA	USD	2,699,831	0.35
2,631,513	Global Payments Inc., Term A-2 Loan, 3.498%, 05/02/22	USA	USD	2,638,639	0.34
1,975,742	Iron Mountain Information Management LLC, Term B Loan, 3.898%, 01/26/26	USA	USD	<u>1,970,496</u>	<u>0.25</u>
				<u>12,344,882</u>	<u>1.59</u>
Diversified Chemicals					
4,193,978	Chemours Co., Tranche B-2 US\$ Term Loan, 3.66%, 04/03/25	USA	USD	<u>4,203,154</u>	<u>0.54</u>
Diversified Support Services					
1,239,540	Ventia Pty. Ltd., Term B Loans (USD), 5.802%, 05/21/22	AUS	USD	<u>1,258,133</u>	<u>0.16</u>
Electric Utilities					
1,547,200	EFS Cogen Holdings I LLC (Linden), Term B Advance, 5.56%, 06/28/23	USA	USD	<u>1,556,870</u>	<u>0.20</u>
Fertilizers & Agricultural Chemicals					
470,470	Mosaic Co., Term Loan A, 3.401%, 11/18/21	USA	USD	<u>469,294</u>	<u>0.06</u>
Food Distributors					
2,977,153	Aramark Corp., U.S. Term B-1 Loan, 3.901%, 03/11/25	USA	USD	3,000,410	0.39
1,492,509	Nutraceutical International Corp., Term Loan B, 5.151%, 08/22/23	USA	USD	<u>1,496,241</u>	<u>0.19</u>
				<u>4,496,651</u>	<u>0.58</u>
Food Retail					
547,663	Smart & Final Stores LLC, First Lien Term Loan, 5.401%, 11/15/22	USA	USD	<u>538,079</u>	<u>0.07</u>

— Franklin Floating Rate II Fund —

SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Forest Products					
5,239,256	Appvion Inc., New Money Term Loan, 11.145% - 11.151%, 07/01/18	USA	USD	5,240,898	0.68
4,034,482	Appvion Inc., Roll-Up Loans, PIK, 8.401%, 07/01/18†	USA	USD	4,034,483	0.52
				<u>9,275,381</u>	<u>1.20</u>
General Merchandise Stores					
9,256,220	Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.806% - 6.112%, 07/09/19	USA	USD	9,001,674	1.16
8,895,843	99 Cents Only Stores, First Lien Term Loan, PIK, 8.484% - 8.802%, 01/13/22†	USA	USD	8,712,366	1.12
				<u>17,714,040</u>	<u>2.28</u>
Health Care Distributors					
3,709,134	Mallinckrodt International Finance SA/CB LLC, 2017 Term B Loans, 5.203%, 09/24/24	LUX	USD	3,690,919	0.48
Health Care Services					
3,888,266	U.S. Renal Care Inc., Initial Term Loan, 6.552%, 12/31/22	USA	USD	3,876,115	0.50
2,096,000	Air Medical Group Holdings Inc., 2018 New Term Loans, 6.147%, 03/14/25	USA	USD	2,121,452	0.27
1,928,975	DaVita Healthcare Partners Inc., Tranche B Term Loan, 4.651%, 06/24/21	USA	USD	1,949,298	0.25
1,683,812	Envision Healthcare Corp., Initial Term Loans, 4.91%, 12/01/23	USA	USD	1,694,494	0.22
1,019,886	DaVita Healthcare Partners Inc., Tranche A Term Loan, 3.901%, 06/24/19	USA	USD	1,022,430	0.13
				<u>10,663,789</u>	<u>1.37</u>
Health Care Technology					
3,456,250	Quintiles IMS Inc., Term B-1 Dollar Loans, 4.302%, 03/07/24	USA	USD	3,479,293	0.45
Hotels, Resorts & Cruise Lines					
2,761,680	Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.647%, 10/25/23	USA	USD	2,787,405	0.36
Household Products					
4,737,816	Spectrum Brands Inc., USD Term Loans, 3.791% - 4.056%, 06/23/22	USA	USD	4,746,278	0.61
Independent Power Producers & Energy Traders					
14,174,559	NRG Energy Inc., Term loan B, 4.052%, 06/30/23	USA	USD	14,227,005	1.83
4,841,307	Helix Gen Funding LLC, Term Loan, 5.651%, 06/02/24	USA	USD	4,890,625	0.63
				<u>19,117,630</u>	<u>2.46</u>
Industrial Machinery					
12,565,810	Navistar Inc., Tranche B Term Loan, 5.40%, 11/06/24	USA	USD	12,667,907	1.63
3,124,493	Harsco Corp., Term B-1 Loan, 4.938%, 12/10/24	USA	USD	3,170,386	0.41
2,249,877	Onsite Rental Group Operations Property Ltd., Term Loan, 6.398%, 10/25/22	AUS	USD	2,227,378	0.28
1,367,026	Mueller Water Products Inc., Loans, 4.401% - 4.802%, 11/26/21	USA	USD	1,380,270	0.18
				<u>19,445,941</u>	<u>2.50</u>
Integrated Telecommunication Services					
7,603,100	Zayo Group LLC, 2017 Incremental Refinancing B-1 Term Loan, 3.901%, 01/19/21	USA	USD	7,648,248	0.99
2,124,015	Global Tel*Link Corp., Second Lien Term Loan, 10.552%, 05/23/20	USA	USD	2,128,662	0.27
1,472,811	Global Tel*Link Corp., Term Loan, 6.302%, 05/23/20	USA	USD	1,483,397	0.19
704,279	Securus Technologies Holdings Inc., Second Lien Initial Loan, 10.151%, 11/01/25	USA	USD	713,082	0.09
524,945	Consolidated Communications Inc., Initial Term Loan, 4.91%, 10/05/23	USA	USD	520,899	0.07
				<u>12,494,288</u>	<u>1.61</u>
Internet Software & Services					
2,228,131	Rackspace Hosting Inc., Term B Loans, 4.787%, 11/03/23	USA	USD	2,225,501	0.29
344,673	Legalzoom.com Inc., Initial Term Loan, 6.397%, 11/21/24	USA	USD	348,551	0.04
				<u>2,574,052</u>	<u>0.33</u>
Investment Banking & Brokerage					
6,389,927	FinCo I LLC, Initial Term Loans, 4.651%, 12/27/22	USA	USD	6,461,813	0.83
IT Consulting & Other Services					
12,615,317	Sungard Availability Services Capital Inc., 2022 Tranche B Term Loans, 11.901%, 10/01/22	USA	USD	12,560,125	1.62
501,441	Gartner Inc., Tranche A Term Loans, 3.901%, 03/20/22	USA	USD	506,456	0.06
				<u>13,066,581</u>	<u>1.68</u>
Leisure Facilities					
9,225,520	24 Hour Fitness Worldwide Inc., Term Loan, 6.052%, 05/28/21	USA	USD	9,262,035	1.19
Life Sciences Tools & Services					
4,384,892	Syneos Health Inc., Initial Term B Loans, 4.151%, 08/01/24	USA	USD	4,403,392	0.57
Marine					
4,111,458	Navios Maritime Partners LP, Initial Term Loan, 7.08%, 09/14/20	GRC	USD	4,137,155	0.53
1,439,154	International Seaways Operating Corp., Initial Term Loans, 7.41%, 06/22/22	USA	USD	1,430,159	0.19
				<u>5,567,314</u>	<u>0.72</u>
Metal & Glass Containers					
5,817,160	Owens-Brockway Glass Container Inc., Term A Loan, 3.25% - 3.29%, 04/22/20	USA	USD	5,851,702	0.75
2,494,143	Crown Americas LLC, Term B Loans, 4.312%, 01/29/25	USA	USD	2,520,060	0.33
				<u>8,371,762</u>	<u>1.08</u>

— Franklin Floating Rate II Fund —

SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Movies & Entertainment					
5,434,791	Lions Gate Capital Holdings LLC, Term A Loan, 3.648%, 03/22/23	CAN	USD	5,455,171	0.70
2,335,878	Live Nation Entertainment Inc., Term B-3 Loans, 3.688%, 10/31/23	USA	USD	2,352,423	0.30
978,772	AMC Entertainment Holdings Inc., Initial Term Loans, 4.147%, 12/15/22	USA	USD	984,584	0.13
436,726	AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 4.147%, 12/15/23	USA	USD	438,273	0.06
				<u>9,230,451</u>	<u>1.19</u>
Office Services & Supplies					
981,250	Conduent Business Services LLC, Delayed Draw Term A Loan, 4.151%, 12/07/21	USA	USD	983,703	0.13
Oil & Gas Exploration & Production					
28,005,278	Fieldwood Energy LLC, Closing Date Loans, 7.151%, 04/11/22	USA	USD	28,197,814	3.63
6,474,696	UTEX Industries Inc., First Lien Initial Term Loan, 5.901%, 05/21/21	USA	USD	6,385,669	0.82
4,723,990	Cantium LLC, Commitment, 8.31%, 06/13/20	USA	USD	4,759,421	0.62
				<u>39,342,904</u>	<u>5.07</u>
Oil & Gas Storage & Transportation					
4,995,846	OSG Bulk Ships Inc., Initial Term Loan, 6.04%, 08/05/19	USA	USD	4,864,705	0.63
750,000	Strike LLC, Term Loan, 10.302% - 10.453%, 11/30/22	USA	USD	764,062	0.10
				<u>5,628,767</u>	<u>0.73</u>
Packaged Foods & Meats					
9,766,881	JBS USA LUX SA, New Initial Term Loans, 4.678%, 10/30/22	BRA	USD	9,770,544	1.26
7,515,073	Post Holdings Inc., Series A Incremental Term Loans, 3.90%, 05/24/24	USA	USD	7,556,676	0.97
3,594,912	CSM Bakery Supplies LLC, Second Lien Term Loan, 10.06%, 07/03/21	USA	USD	3,455,609	0.44
1,605,920	Pinnacle Foods Finance LLC, Initial B Term Loan, 3.659%, 02/03/24	USA	USD	1,619,972	0.21
826,921	CSM Bakery Supplies LLC, Term Loans, 6.31%, 07/03/20	USA	USD	818,239	0.11
				<u>23,221,040</u>	<u>2.99</u>
Paper Packaging					
4,937,384	Caraustar Industries Inc., Refinancing Term Loans, 7.802%, 03/14/22	USA	USD	4,955,899	0.64
Personal Products					
8,734,260	FGI Operating Co. LLC (Freedom Group), DIP Term Loan B, 8.646% - 8.651%, 06/26/18	USA	USD	8,734,260	1.12
14,823,905	FGI Operating Co. LLC, Term B Loans, 5.824%, 04/19/19*	USA	USD	3,872,745	0.50
				<u>12,607,005</u>	<u>1.62</u>
Pharmaceuticals					
9,773,171	Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 6.188%, 04/29/24	USA	USD	9,740,596	1.25
6,054,712	Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 4.00%, 01/31/25	USA	USD	6,094,007	0.78
5,026,170	Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.394%, 04/01/22	USA	USD	5,088,143	0.66
3,693,933	Horizon Pharma Inc., Third Amendment Refinancing Term Loan, 5.188%, 03/29/24	USA	USD	3,723,178	0.48
1,509,115	Innoviva Inc., Initial Term Loan, 6.373%, 08/18/22	USA	USD	1,526,093	0.20
1,164,367	RPI Finance Trust, Term A-3 Loan, 4.052%, 10/14/21	USA	USD	1,167,277	0.15
721,163	RPI Finance Trust, Term B-6 Term Loan, 4.302%, 03/27/23	USA	USD	725,156	0.09
				<u>28,064,450</u>	<u>3.61</u>
Restaurants					
3,688,823	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term Loan B, 3.644%, 04/03/25	USA	USD	3,721,101	0.48
1,485,288	NPC International Inc., Second Lien Initial Term Loan, 9.401%, 04/20/25	USA	USD	1,522,420	0.20
				<u>5,243,521</u>	<u>0.68</u>
Semiconductor Equipment					
264,072	MKS Instruments Inc., Tranche B-4 Term Loan, 3.651%, 04/29/23	USA	USD	266,012	0.03
Semiconductors					
5,554,602	ON Semiconductor Corp., 2017 Replacement Term B-2 Loans, 3.901%, 03/31/23	USA	USD	5,595,567	0.72
Specialized Consumer Services					
7,876,374	Avis Budget Car Rental LLC, Tranche B Term Loans, 4.31%, 02/13/25	USA	USD	7,945,293	1.02
2,895,467	NVA Holdings Inc., Term B-3 Loan, 5.052%, 02/02/25	USA	USD	2,910,396	0.38
1,803,531	Sabre GLBL Inc., 2017 Other Term A Loans, 3.901%, 07/01/22	USA	USD	1,808,040	0.23
331,358	Sabre GLBL Inc., Term Loan B, 3.901%, 02/22/24	USA	USD	332,885	0.04
				<u>12,996,614</u>	<u>1.67</u>
Specialty Chemicals					
6,865,984	Axalta Coating Systems U.S. Holdings Inc., Term B-2 Dollar Loans, 4.052%, 06/01/24	USA	USD	6,901,481	0.89
6,744,625	Oxbow Carbon LLC, Tranche B Term Loan, 5.651%, 01/04/23	USA	USD	6,837,364	0.88
2,925,000	Oxbow Carbon LLC, Tranche A Term Loan, 4.401%, 01/04/22	USA	USD	2,928,656	0.38
2,695,849	Ashland LLC, Term B Loan, 3.897% - 3.901%, 05/17/24	USA	USD	2,721,460	0.35
2,602,834	Oxbow Carbon LLC, Second Lien Initial Term Loan, 9.401%, 01/04/24	USA	USD	2,654,890	0.34
1,192,830	WR Grace & Co., Term B-2 Loans, 4.058%, 04/03/25	USA	USD	1,199,092	0.15
1,011,086	Solenis International LP and Solenis Holdings 3 LLC, Second Lien Term Loan, 8.734%, 07/31/22	USA	USD	979,490	0.13
695,817	WR Grace & Co., Term B-1 Loans, 4.058%, 04/03/25	USA	USD	699,369	0.09
577,307	KMG Chemicals Inc., Initial Term Loan, 4.651%, 06/15/24	USA	USD	582,358	0.07
				<u>25,504,160</u>	<u>3.28</u>

— Franklin Floating Rate II Fund —

SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)

(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Specialty Stores				
17,686,516	PetSmart Inc., Tranche B-2 Loans, 4.89%, 03/11/22	USA	USD	13,898,648	1.79
12,454,692	General Nutrition Centers Inc., Tranche B-2 Term Loans, 10.66%, 03/04/21	USA	USD	11,974,663	1.54
3,784,256	General Nutrition Centers Inc., FILO Term Loan (ABL), 8.91%, 12/31/22	USA	USD	3,916,705	0.51
				<u>29,790,016</u>	<u>3.84</u>
	Technology Hardware, Storage & Peripherals				
702,314	Western Digital Corp., U.S. Term B-3 Loan, 3.90%, 04/29/23	USA	USD	<u>707,644</u>	<u>0.09</u>
	Trucking				
11,514,459	The Hertz Corp., Tranche B-1 Term Loan, 4.651%, 06/30/23	USA	USD	<u>11,552,238</u>	<u>1.49</u>
	TOTAL SENIOR FLOATING RATE INTEREST			<u>536,977,255</u>	<u>69.15</u>
	TOTAL TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS			<u>536,977,255</u>	<u>69.15</u>
	TOTAL INVESTMENTS			<u>694,861,103</u>	<u>89.49</u>

‡ Income may be received in additional securities and/or cash

* These Bonds are currently in default

— Franklin Emerging Market Investment Grade Debt Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET					
BONDS					
Airport Services					
400,000	Mexico City Airport Trust, senior secured bond, Reg S, 4.25%, 10/31/26	MEX	USD	375,376	0.61
400,000	Mexico City Airport Trust, senior secured bond, Reg S, 5.50%, 07/31/47	MEX	USD	357,500	0.59
				<u>732,876</u>	<u>1.20</u>
Brewers					
750,000	Anadolu Efes Biracilik Ve Malt Sanayii AS, senior note, Reg S, 3.375%, 11/01/22	TUR	USD	712,744	1.17
Commodity Chemicals					
750,000	Alpek SAB de CV, senior note, Reg S, 4.50%, 11/20/22	MEX	USD	749,108	1.23
Department Stores					
950,000	SACI Falabella, senior note, Reg S, 3.75%, 10/30/27	CHL	USD	889,319	1.45
Diversified Banks					
1,825,000	China Construction Bank Corp., sub. note, 3.875% to 05/13/20, FRN thereafter, 05/13/25	CHN	USD	1,816,605	2.97
1,300,000	Yes Bank Ifsc Banking Unit Branch, senior note, Reg S, 3.75%, 02/06/23	IND	USD	1,263,028	2.07
1,225,000	KT Kira Sertifikalari Varlik Kiralama AS, senior note, Reg S, 5.136%, 11/02/21	TUR	USD	1,246,358	2.04
80,000,000	HDFC Bank Ltd., senior note, Reg S, 8.10%, 03/22/25	IND	INR	1,213,578	1.99
600,000	BDO Unibank Inc., senior note, Reg S, 2.625%, 10/24/21	PHL	USD	580,500	0.95
				<u>6,120,069</u>	<u>10.02</u>
Diversified Metals & Mining					
1,425,000	Southern Copper Corp., senior bond, 5.25%, 11/08/42	PER	USD	1,470,026	2.41
Electric Utilities					
1,650,000	TNB Global Ventures Capital Bhd., senior note, Reg S, 3.244%, 10/19/26	MYS	USD	1,540,745	2.52
1,275,000	State Grid Overseas Investment 2016 Ltd., senior note, Reg S, 3.50%, 05/04/27	CHN	USD	1,213,794	1.99
				<u>2,754,539</u>	<u>4.51</u>
Fertilizers & Agricultural Chemicals					
1,200,000	Sociedad Quimica y Minera de Chile SA, senior bond, Reg S, 4.375%, 01/28/25	CHL	USD	1,215,888	1.99
Hypermarkets & Super Centers					
1,275,000	Cencosud SA, senior note, Reg S, 4.375%, 07/17/27	CHL	USD	1,202,790	1.97
Independent Power Producers & Energy Traders					
1,275,000	Colbun SA, senior note, Reg S, 3.95%, 10/11/27	CHL	USD	1,215,776	1.99
Integrated Oil & Gas					
925,000	Ecopetrol SA, senior bond, 4.125%, 01/16/25	COL	USD	893,781	1.46
Integrated Telecommunication Services					
725,000	Bharti Airtel International Netherlands BV, senior note, Reg S, 5.125%, 03/11/23	IND	USD	731,507	1.20
Investment Banking & Brokerage					
80,000,000	Development Bank of Kazakhstan JSC, senior note, Reg S, 9.50%, 12/14/20	KAZ	KZT	246,245	0.40
Oil & Gas Exploration & Production					
850,000	KazMunayGas National Co. JSC, senior note, Reg S, 7.00%, 05/05/20	KAZ	USD	912,229	1.49
Railroads					
825,000	Kazakhstan Temir Zholy Finance BV, senior bond, Reg S, 6.95%, 07/10/42	KAZ	USD	904,794	1.48
650,000	RZD Capital PLC, (Russian Railways), loan participation, senior bond, Reg S, 5.70%, 04/05/22	RUS	USD	675,376	1.11
725,000	Sparc EM SPC Panama Metro Line 2 SP, zero cpn., 12/05/22	PAN	USD	650,347	1.06
				<u>2,230,517</u>	<u>3.65</u>
Real Estate Operating Companies					
1,675,000	China Overseas Finance Cayman VI Ltd., senior note, Reg S, 5.95%, 05/08/24	CHN	USD	1,807,132	2.96
Regional Banks					
950,000	Banco Inbursa SA Institucion De Banca Multiple, senior note, Reg S, 4.375%, 04/11/27	MEX	USD	902,818	1.48
Specialty Chemicals					
1,225,000	Cnac HK Finbridge Co. Ltd., senior note, Reg S, 4.875%, 03/14/25	CHN	USD	1,214,434	1.99
TOTAL BONDS				<u>26,001,798</u>	<u>42.57</u>
SUPRANATIONAL					
625,000	Banque Ouest Africaine de Developpement, senior note, Reg S, 5.00%, 07/27/27	SP	USD	613,788	1.01
250,000	Banque Ouest Africaine de Developpement, senior note, Reg S, 5.50%, 05/06/21	SP	USD	257,865	0.42
TOTAL SUPRANATIONAL				<u>871,653</u>	<u>1.43</u>
GOVERNMENT AND MUNICIPAL BONDS					
84,808,323	Government of Uruguay, senior bond, Index Linked, 3.70%, 06/26/37	URY	UYU	3,028,035	4.96
575,000	Government of Mexico, senior note, M, 5.00%, 12/11/19	MEX	MXN	2,970,361	4.86
2,050,000	Government of Indonesia, Reg S, 5.875%, 03/13/20	IDN	USD	2,156,005	3.53
29,000,000	Government of South Africa, senior bond, 7.00%, 02/28/31	ZAF	ZAR	2,033,314	3.33
1,800,000	Government of Uruguay, senior bond, 4.50%, 08/14/24	URY	USD	1,866,150	3.05

— Franklin Emerging Market Investment Grade Debt Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
GOVERNMENT AND MUNICIPAL BONDS (continued)					
1,800,000	Government of Romania, senior bond, Reg S, 4.375%, 08/22/23	ROU	USD	1,829,790	3.00
3,000,000,000	Government of Colombia, senior bond, 9.85%, 06/28/27	COL	COP	1,359,928	2.23
1,150,000	Government of Lithuania, Reg S, 6.125%, 03/09/21	LTU	USD	1,238,245	2.03
1,200,000	Government of Colombia, senior bond, 4.375%, 07/12/21	COL	USD	1,234,320	2.02
1,200,000	Government of Indonesia, senior bond, Reg S, 4.35%, 01/08/27	IDN	USD	1,203,516	1.97
700,000,000	Government of Chile, 5.50%, 08/05/20	CHL	CLP	1,187,614	1.94
950,000	Government of Mexico, senior bond, 3.60%, 01/30/25	MEX	USD	923,305	1.51
925,000	Government of Kazakhstan, senior bond, Reg S, 4.875%, 10/14/44	KAZ	USD	911,833	1.49
2,700,000	Government of Peru, senior bond, Reg S, 6.35%, 08/12/28	PER	PEN	902,908	1.48
850,000	Government of Poland, senior note, 5.125%, 04/21/21	POL	USD	898,004	1.47
1,600,000,000	Bogota Distrito Capital, senior bond, Reg S, 9.75%, 07/26/28	COL	COP	620,928	1.02
36,000,000	Government of Russia, 7.00%, 08/16/23	RUS	RUB	578,950	0.95
400,000	Peru Enhanced Pass-Through Finance Ltd., senior secured bond, A-2, Reg S, zero cpn., 06/02/25	PER	USD	346,000	0.57
TOTAL GOVERNMENT AND MUNICIPAL BONDS				<u>25,289,206</u>	<u>41.41</u>
QUASI-SOVEREIGN AND CORPORATE BONDS					
Diversified Support Services					
4,000,000	Red de Carreteras de Occidente Sapib de CV, senior secured bond, Reg S, 9.00%, 06/10/28	MEX	MXN	208,169	0.34
Highways & Railtracks					
959,840,875	Fideicomiso PA Costera, senior secured bond, B, Reg S, Index Linked, 6.25%, 01/15/34	COL	COP	355,067	0.58
200,000	Fideicomiso PA Costera, senior bond, Reg S, 6.75%, 01/15/34	COL	USD	212,000	0.35
				<u>567,067</u>	<u>0.93</u>
Marine Ports & Services					
500,000	Autoridad del Canal de Panama, senior bond, Reg S, 4.95%, 07/29/35	PAN	USD	534,938	0.87
Trucking					
975,000	Lima Metro Line 2 Finance Ltd., senior secured bond, first lien, Reg S, 5.875%, 07/05/34	PER	USD	993,193	1.63
TOTAL QUASI-SOVEREIGN AND CORPORATE BONDS				<u>2,303,367</u>	<u>3.77</u>
SECURITIES MATURING WITHIN ONE YEAR					
4,000,000	European Bank for Reconstruction & Development, 0.00%, 07/09/18	SP	TRY	959,551	1.57
40,000,000	International Finance Corp., senior note, 6.45%, 10/30/18	SP	INR	602,968	0.99
100,000,000	European Bank for Reconstruction & Development, senior note, 7.639%, 02/21/19**	SP	KZT	302,905	0.50
255,585	International Finance Corp., senior note, 10.25%, 12/05/18	SP	AZN	148,087	0.24
40,344	Peru Enhanced Pass-Through Finance Ltd., senior secured bond, A-1, Reg S, zero cpn., 05/31/18	PER	USD	40,192	0.07
TOTAL SECURITIES MATURING WITHIN ONE YEAR				<u>2,053,703</u>	<u>3.37</u>
TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				<u>56,519,727</u>	<u>92.55</u>
TOTAL INVESTMENTS				<u>56,519,727</u>	<u>92.55</u>

** These securities are submitted to a Fair Valuation

— Franklin Emerging Market Corporate Debt Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING					
SHARES					
Apparel Retail					
2,465,385	K2016470219 SA Ltd., A**	ZAF	ZAR	1,978	0.01
245,340	K2016470219 SA Ltd., B**	ZAF	ZAR	197	0.00
TOTAL SHARES				<u>2,175</u>	<u>0.01</u>
TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING				<u>2,175</u>	<u>0.01</u>
TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET					
BONDS					
Agricultural Products					
300,000	MHP Lux SA, senior note, Reg S, 6.95%, 04/03/26	UKR	USD	293,325	0.88
Airport Services					
400,000	Mexico City Airport Trust, senior secured bond, Reg S, 4.25%, 10/31/26	MEX	USD	375,376	1.13
200,000	Mexico City Airport Trust, senior secured bond, Reg S, 5.50%, 07/31/47	MEX	USD	178,750	0.54
				<u>554,126</u>	<u>1.67</u>
Building Products					
500,000	St. Marys Cement Inc., senior bond, Reg S, 5.75%, 01/28/27	BRA	USD	511,250	1.54
450,000	Tecnoglass Inc., senior note, Reg S, 8.20%, 01/31/22	COL	USD	481,500	1.45
				<u>992,750</u>	<u>2.99</u>
Cable & Satellite					
400,000	VTR Finance BV, senior secured note, 144A, 6.875%, 01/15/24	CHL	USD	414,604	1.25
Commodity Chemicals					
400,000	Alpek SAB de CV, senior note, Reg S, 4.50%, 11/20/22	MEX	USD	399,524	1.20
Construction Materials					
500,000	Cemex SAB de CV, senior secured note, first lien, Reg S, 4.375%, 03/05/23	MEX	EUR	631,998	1.90
Department Stores					
500,000	SACI Falabella, senior note, Reg S, 3.75%, 10/30/27	CHL	USD	468,063	1.41
400,000	El Puerto de Liverpool SAB de CV, senior note, 144A, 3.95%, 10/02/24	MEX	USD	382,998	1.15
32,606	K2016470260 South Africa Ltd., senior secured note, Reg S, PIK, 25.00%, 12/31/22†	ZAF	USD	4,891	0.02
186,862	K2016470219 South Africa Ltd., senior secured note, Reg S, PIK, 3.00%, 12/31/22†	ZAF	USD	934	0.00
				<u>856,886</u>	<u>2.58</u>
Diversified Banks					
600,000	Türkiye Vakıflar Bankası TAO, sub. note, Reg S, 6.875% to 2/02/20, FRN thereafter, 02/03/25	TUR	USD	602,070	1.81
600,000	China Construction Bank Corp., sub. note, 3.875% to 05/13/20, FRN thereafter, 05/13/25	CHN	USD	597,240	1.80
600,000	Yes Bank Ifsc Banking Unit Branch, senior note, Reg S, 3.75%, 02/06/23	IND	USD	582,936	1.76
500,000	Dilijan Finance BV, (Ardshinbank CJSC), loan participation, senior note, Reg S, 12.00%, 07/29/20	ARM	USD	540,000	1.63
500,000	Banco de Bogota SA, sub. note, Reg S, 6.25%, 05/12/26	COL	USD	520,000	1.57
500,000	FBN Finance Co. BV, (First Bank of Nigeria Ltd.), loan participation, sub. note, Reg S, 8.00% to 7/23/19, FRN thereafter, 07/23/21	NGA	USD	494,375	1.49
30,000,000	HDFC Bank Ltd., senior note, Reg S, 8.10%, 03/22/25	IND	INR	455,092	1.37
451,000	Banco do Brasil SA/Cayman, senior note, 3.875%, 10/10/22	BRA	USD	434,390	1.31
400,000	United Bank for Africa PLC, senior note, Reg S, 7.75%, 06/08/22	NGA	USD	413,470	1.24
400,000	Alfa Bond Issuance PLC, (Alfa Bank OJSC), loan participation, sub. note, Reg S, 7.50%, 09/26/19	RUS	USD	411,784	1.24
400,000	Fidelity Bank PLC, senior note, Reg S, 10.50%, 10/16/22	NGA	USD	409,000	1.23
400,000	KT Kira Sertifikalari Varlik Kiralama AS, senior note, Reg S, 5.136%, 11/02/21	TUR	USD	406,974	1.23
400,000	BGEO Group JSC, senior note, Reg S, 6.00%, 07/26/23	GEO	USD	403,676	1.22
400,000	Philippine National Bank, senior note, Reg S, 4.25%, 04/27/23	PHL	USD	397,400	1.20
400,000	Axis Bank Ltd./Dubai, senior note, 144A, 3.25%, 05/21/20	IND	USD	395,586	1.19
225,000	Credit Suisse First Boston International, (City of Kyiv), loan participation, secured bond, Reg S, 8.00%, 11/06/15*	UKR	USD	200,531	0.60
200,000	BDO Unibank Inc., senior note, Reg S, 2.625%, 10/24/21	PHL	USD	193,500	0.58
				<u>7,458,024</u>	<u>22.47</u>
Diversified Metals & Mining					
575,000	Southern Copper Corp., senior bond, 5.25%, 11/08/42	PER	USD	593,168	1.79
400,000	First Quantum Minerals Ltd., senior note, 144A, 7.00%, 02/15/21	ZMB	USD	403,000	1.21
				<u>996,168</u>	<u>3.00</u>
Electric Utilities					
600,000	TNB Global Ventures Capital Bhd., senior note, Reg S, 3.244%, 10/19/26	MYS	USD	560,271	1.69
500,000	State Grid Overseas Investment 2016 Ltd., senior note, Reg S, 3.50%, 05/04/27	CHN	USD	475,997	1.43
300,000	Energo-Pro AS, senior note, Reg S, 4.00%, 12/07/22	CZE	EUR	372,320	1.12
				<u>1,408,588</u>	<u>4.24</u>
Fertilizers & Agricultural Chemicals					
600,000	Syngenta Finance NV, senior note, Reg S, 4.892%, 04/24/25	CHE	USD	595,671	1.80
400,000	Sociedad Quimica y Minera de Chile SA, senior note, 144A, 3.625%, 04/03/23	CHL	USD	396,106	1.19
				<u>991,777</u>	<u>2.99</u>

— Franklin Emerging Market Corporate Debt Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Forest Products					
500,000	Celulosa Arauco Y Constitucion SA, 4.50%, 08/01/24	CHL	USD	<u>505,770</u>	<u>1.52</u>
Gas Utilities					
200,000	Southern Gas Corridor CJSC, senior note, Reg S, 6.875%, 03/24/26	AZE	USD	<u>219,025</u>	<u>0.66</u>
Hypermarkets & Super Centers					
500,000	Cencosud SA, senior note, 144A, 4.375%, 07/17/27	CHL	USD	<u>471,682</u>	<u>1.42</u>
Independent Power Producers & Energy Traders					
700,000	Colbun SA, senior note, Reg S, 3.95%, 10/11/27	CHL	USD	<u>667,485</u>	<u>2.01</u>
Industrial Conglomerates					
400,000	Yasar Holdings SA, senior note, Reg S, 8.875%, 05/06/20	TUR	USD	<u>390,926</u>	<u>1.18</u>
Integrated Oil & Gas					
525,000	LUKOIL International Finance BV, senior note, Reg S, 6.125%, 11/09/20	RUS	USD	547,885	1.65
400,000	Ecopetrol SA, senior bond, 4.125%, 01/16/25	COL	USD	<u>386,500</u>	<u>1.16</u>
				<u>934,385</u>	<u>2.81</u>
Integrated Telecommunication Services					
400,000	Bharti Airtel International Netherlands BV, senior note, Reg S, 5.125%, 03/11/23	IND	USD	403,590	1.22
200,000	MTN (Mauritius) Investments Ltd., senior bond, Reg S, 4.755%, 11/11/24	ZAF	USD	<u>192,664</u>	<u>0.58</u>
				<u>596,254</u>	<u>1.80</u>
Internet & Direct Marketing Retail					
500,000	JD.com Inc., senior note, 3.125%, 04/29/21	CHN	USD	<u>488,245</u>	<u>1.47</u>
Internet Software & Services					
400,000	Alibaba Group Holding Ltd., senior note, 2.50%, 11/28/19	CHN	USD	<u>396,576</u>	<u>1.20</u>
Investment Banking & Brokerage					
75,000,000	Development Bank of Kazakhstan JSC, senior note, Reg S, 9.50%, 12/14/20	KAZ	KZT	<u>230,855</u>	<u>0.70</u>
Marine Ports & Services					
400,000	ICTSI Treasury BV, senior note, Reg S, 4.625%, 01/16/23	PHL	USD	<u>403,792</u>	<u>1.22</u>
Multi-Sector Holdings					
300,000	China Merchants Finance Co. Ltd., senior note, Reg S, 5.00%, 05/04/22	CHN	USD	<u>310,408</u>	<u>0.94</u>
Oil & Gas Exploration & Production					
450,000	Tullow Oil PLC, senior note, Reg S, 7.00%, 03/01/25	GHA	USD	<u>457,144</u>	<u>1.38</u>
Oil & Gas Storage & Transportation					
300,000	Georgian Oil and Gas Corp., senior note, Reg S, 6.75%, 04/26/21	GEO	USD	<u>309,783</u>	<u>0.93</u>
Other Diversified Financial Services					
300,000	O1 Properties Finance PLC, senior note, Reg S, 8.25%, 09/27/21	RUS	USD	<u>220,500</u>	<u>0.66</u>
Precious Metals & Minerals					
500,000	Petra Diamonds U.S. Treasury PLC, secured note, second lien, Reg S, 7.25%, 05/01/22	ZAF	USD	<u>501,000</u>	<u>1.51</u>
Railroads					
500,000	Sparc EM SPC Panama Metro Line 2 SP, zero cpn., 12/05/22	PAN	USD	448,515	1.35
400,000	Kazakhstan Temir Zholy Finance BV, senior bond, Reg S, 6.95%, 07/10/42	KAZ	USD	438,688	1.32
400,000	RZD Capital PLC, (Russian Railways), loan participation, senior bond, Reg S, 5.70%, 04/05/22	RUS	USD	<u>415,616</u>	<u>1.25</u>
				<u>1,302,819</u>	<u>3.92</u>
Real Estate Development					
200,000	CIFI Holdings Group Co. Ltd., senior note, Reg S, 6.875%, 04/23/21	CHN	USD	<u>199,366</u>	<u>0.60</u>
Real Estate Operating Companies					
400,000	China Overseas Finance Cayman VI Ltd., senior note, Reg S, 5.95%, 05/08/24	CHN	USD	431,554	1.30
400,000	Theta Capital Pte Ltd., senior note, Reg S, 6.75%, 10/31/26	IDN	USD	<u>338,918</u>	<u>1.02</u>
				<u>770,472</u>	<u>2.32</u>
Regional Banks					
675,000	Banco Inbursa SA Institucion De Banca Multiple, senior note, Reg S, 4.375%, 04/11/27	MEX	USD	641,476	1.93
400,000	SSB#1 PLC, (OJSC State Savings Bank of Ukraine), loan participation, senior note, Reg S, 9.625%, 03/20/25	UKR	USD	417,766	1.26
500,000	International Bank of Azerbaijan OJSC, senior note, Reg S, 5.625%, 06/11/19*	AZE	USD	410,000	1.23
375,000	Itau Unibanco Holding SA/Cayman Island, sub. note, Reg S, 6.20%, 04/15/20	BRA	USD	390,370	1.18
700,000	Bank of Georgia JSC, senior note, Reg S, 11.00%, 06/01/20	GEO	GEL	<u>288,280</u>	<u>0.87</u>
				<u>2,147,892</u>	<u>6.47</u>
Steel					
300,000	FMG Resources (August 2006) Pty. Ltd., senior secured note, 144A, 9.75%, 03/01/22	AUS	USD	<u>330,750</u>	<u>1.00</u>
Textiles					
250,000	Golden Legacy Pte. Ltd., senior note, Reg S, 8.25%, 06/07/21	IDN	USD	<u>263,050</u>	<u>0.79</u>
Trucking					
250,000	Car Inc., senior note, Reg S, 6.125%, 02/04/20	CHN	USD	<u>249,350</u>	<u>0.75</u>

— Franklin Emerging Market Corporate Debt Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Wireless Telecommunication Services					
400,000	Liquid Telecommunications Financing PLC, secured note, Reg S, 8.50%, 07/13/22	MUS	USD	422,774	1.27
8,000,000	America Movil SAB de CV, senior note, 6.45%, 12/05/22	MEX	MXN	396,545	1.20
200,000	Digicel Ltd., senior note, 144A, 6.00%, 04/15/21	BMU	USD	190,645	0.57
				<u>1,009,964</u>	<u>3.04</u>
	TOTAL BONDS			<u>28,375,263</u>	<u>85.47</u>
SUPRANATIONAL					
200,000	Banque Ouest Africaine de Developpement, senior note, Reg S, 5.00%, 07/27/27	SP	USD	196,412	0.59
	TOTAL SUPRANATIONAL			<u>196,412</u>	<u>0.59</u>
GOVERNMENT AND MUNICIPAL BONDS					
338,000	Province de Neuquen, senior secured bond, Reg S, 8.625%, 05/12/28	ARG	USD	357,070	1.08
350,000	Provincia del Chubut Argentina, secured note, Reg S, 7.75%, 07/26/26	ARG	USD	331,012	1.00
250,000	Peru Enhanced Pass-Through Finance Ltd., senior secured bond, A-2, Reg S, zero cpn., 06/02/25	PER	USD	216,250	0.65
150,000	Provincia de Tierra Del Fuego Argentina, secured note, Reg S, 8.95%, 04/17/27	ARG	USD	156,168	0.47
141,240	Province of Salta Argentina, senior secured note, Reg S, 9.50%, 03/16/22	ARG	USD	146,890	0.44
	TOTAL GOVERNMENT AND MUNICIPAL BONDS			<u>1,207,390</u>	<u>3.64</u>
QUASI-SOVEREIGN AND CORPORATE BONDS					
Diversified Support Services					
4,000,000	Red de Carreteras de Occidente Sapib de CV, senior secured bond, Reg S, 9.00%, 06/10/28	MEX	MXN	208,169	0.63
Highways & Railroads					
200,000	Fideicomiso PA Costera, senior bond, Reg S, 6.75%, 01/15/34	COL	USD	212,000	0.64
534,521,367	Fideicomiso PA Costera, senior secured bond, B, Reg S, Index Linked, 6.25%, 01/15/34	COL	COP	197,732	0.59
				<u>409,732</u>	<u>1.23</u>
Integrated Oil & Gas					
206,250	Petroleum Co. of Trinidad and Tobago Ltd., senior bond, Reg S, 6.00%, 05/08/22	TTO	USD	207,434	0.63
Marine Ports & Services					
200,000	Autoridad del Canal de Panama, senior bond, Reg S, 4.95%, 07/29/35	PAN	USD	213,975	0.64
Other Diversified Financial Services					
600,000	Oilflow SPV 1 DAC (KRG), secured note, Reg S, 12.00%, 01/13/22	IRQ	USD	630,378	1.90
250,000	Rio Oil Finance Trust Series 2018-1, senior secured note, Reg S, 8.20%, 04/06/28	BRA	USD	260,875	0.79
				<u>891,253</u>	<u>2.69</u>
Trucking					
400,000	Lima Metro Line 2 Finance Ltd., senior secured bond, first lien, Reg S, 5.875%, 07/05/34	PER	USD	407,464	1.23
	TOTAL QUASI-SOVEREIGN AND CORPORATE BONDS			<u>2,338,027</u>	<u>7.05</u>
SECURITIES MATURING WITHIN ONE YEAR					
400,000	Siam Commercial Bank PCL, senior note, Reg S, 3.50%, 04/07/19	THA	USD	401,372	1.21
87,500	Ferrexpo Finance PLC, senior note, Reg S, 10.375%, 04/07/19	UKR	USD	90,447	0.27
	TOTAL SECURITIES MATURING WITHIN ONE YEAR			<u>491,819</u>	<u>1.48</u>
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			<u>32,608,911</u>	<u>98.23</u>
	TOTAL INVESTMENTS			<u>32,611,086</u>	<u>98.24</u>

** These securities are submitted to a Fair Valuation

‡ Income may be received in additional securities and/or cash

* These Bonds are currently in default

— Franklin Emerging Market Debt Opportunities II Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018
(Currency — EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				
	WARRANTS				
	Diversified Banks				
67,000	Central Bank of Nigeria, Reg S, wts., 11/15/20	NGA	USD	3,605,580	0.45
	TOTAL WARRANTS			<u>3,605,580</u>	<u>0.45</u>
	BONDS				
	Agricultural Products				
11,200,000	MHP Lux SA, senior note, Reg S, 6.95%, 04/03/26	UKR	USD	9,066,358	1.12
	Airport Services				
4,700,000	Mexico City Airport Trust, senior secured bond, Reg S, 5.50%, 07/31/47	MEX	USD	3,477,770	0.43
1,300,000	Mexico City Airport Trust, senior secured bond, Reg S, 4.25%, 10/31/26	MEX	USD	1,010,036	0.13
				<u>4,487,806</u>	<u>0.56</u>
	Building Products				
8,950,000	St. Marys Cement Inc., senior bond, Reg S, 5.75%, 01/28/27	BRA	USD	7,576,582	0.94
8,250,000	Tecnoglass Inc., senior note, Reg S, 8.20%, 01/31/22	COL	USD	7,308,441	0.90
				<u>14,885,023</u>	<u>1.84</u>
	Diversified Banks				
14,000,000	Alfa Bond Issuance PLC, (Alfa Bank OJSC), loan participation, sub. note, Reg S, 7.50%, 09/26/19	RUS	USD	11,932,310	1.47
10,000,000	Fidelity Bank PLC, senior note, Reg S, 10.50%, 10/16/22	NGA	USD	8,465,455	1.05
8,500,000	Akbank Turk AS, sub. bond, Reg S, 6.797% to 04/27/23, FRN thereafter, 04/27/28	TUR	USD	6,938,635	0.86
7,750,000	Dilijan Finance BV, (Ardshinbank CJSC), loan participation, senior note, Reg S, 12.00%, 07/29/20	ARM	USD	6,929,668	0.86
				<u>34,266,068</u>	<u>4.24</u>
	Electric Utilities				
7,100,000	Energo-Pro AS, senior note, Reg S, 4.00%, 12/07/22	CZE	EUR	7,295,250	0.90
	Food Retail				
3,400,000	JBS Investments GmbH, senior note, Reg S, 7.25%, 04/03/24	BRA	USD	2,786,235	0.35
	Gas Utilities				
10,900,000	Southern Gas Corridor CJSC, senior note, Reg S, 6.875%, 03/24/26	AZE	USD	9,882,736	1.22
	Hypermarkets & Super Centers				
9,000,000	Cencosud SA, senior note, Reg S, 4.875%, 01/20/23	CHL	USD	7,537,691	0.93
	Industrial Conglomerates				
7,450,000	Yasar Holdings SA, senior note, Reg S, 8.875%, 05/06/20	TUR	USD	6,028,064	0.75
	Integrated Telecommunication Services				
37,346,000,000	Empresa de Telecomunicaciones de Bogota SA, senior note, Reg S, 7.00%, 01/17/23	COL	COP	9,155,719	1.13
2,750,000	MTN (Mauritius) Investments Ltd., senior bond, Reg S, 4.755%, 11/11/24	ZAF	USD	2,193,261	0.27
				<u>11,348,980</u>	<u>1.40</u>
	Investment Banking & Brokerage				
2,055,000,000	Development Bank of Kazakhstan JSC, senior note, Reg S, 9.50%, 12/14/20	KAZ	KZT	5,236,924	0.65
	Oil & Gas Exploration & Production				
9,700,000	Tullow Oil PLC, senior note, Reg S, 7.00%, 03/01/25	GHA	USD	8,158,287	1.01
	Oil & Gas Storage & Transportation				
8,250,000	Georgian Oil and Gas Corp., senior note, Reg S, 6.75%, 04/26/21	GEO	USD	7,053,055	0.87
	Other Diversified Financial Services				
9,200,000	O1 Properties Finance PLC, senior note, Reg S, 8.25%, 09/27/21	RUS	USD	5,598,377	0.69
1,100,000	JSC Georgia Capital, senior note, Reg S, 6.125%, 03/09/24	GEO	USD	869,723	0.11
				<u>6,468,100</u>	<u>0.80</u>
	Precious Metals & Minerals				
6,650,000	Petra Diamonds U.S. Treasury PLC, secured note, second lien, Reg S, 7.25%, 05/01/22	ZAF	USD	5,516,662	0.68
	Railroads				
10,200,000	RZD Capital PLC, (Russian Railways), loan participation, senior bond, Reg S, 5.70%, 04/05/22	RUS	USD	8,774,441	1.09
8,500,000	Kazakhstan Temir Zholy National Co. JSC, senior note, Reg S, 4.85%, 11/17/27	KAZ	USD	7,002,111	0.87
7,250,000	Kazakhstan Temir Zholy Finance BV, senior bond, Reg S, 6.95%, 07/10/42	KAZ	USD	6,582,953	0.81
1,900,000	Georgian Railway LLC, senior bond, Reg S, 7.75%, 07/11/22	GEO	USD	1,697,439	0.21
				<u>24,056,944</u>	<u>2.98</u>
	Real Estate Development				
4,200,000	CIFI Holdings Group Co. Ltd., senior note, Reg S, 6.875%, 04/23/21	CHN	USD	3,466,230	0.43
	Regional Banks				
26,900,000	Bank of Georgia JSC, senior note, Reg S, 11.00%, 06/01/20	GEO	GEL	9,171,825	1.14
11,700,000	International Bank of Azerbaijan OJSC, senior note, Reg S, 5.625%, 06/11/19*	AZE	USD	7,943,039	0.98
				<u>17,114,864</u>	<u>2.12</u>

— Franklin Emerging Market Debt Opportunities II Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Specialty Chemicals					
3,123,000	Braskem Finance Ltd., senior note, Reg S, 5.375%, 05/02/22	BRA	USD	<u>2,663,942</u>	<u>0.33</u>
Textiles					
7,600,000	Golden Legacy Pte. Ltd., senior note, Reg S, 8.25%, 06/07/21	IDN	USD	<u>6,620,623</u>	<u>0.82</u>
TOTAL BONDS				<u>193,939,842</u>	<u>24.00</u>
SUPRANATIONAL					
5,200,000	Banque Ouest Africaine de Developpement, senior note, Reg S, 5.00%, 07/27/27	SP	USD	4,227,936	0.52
3,950,000	Banque Ouest Africaine de Developpement, senior note, Reg S, 5.50%, 05/06/21	SP	USD	3,373,156	0.42
230,000,000	International Finance Corp., senior note, 7.80%, 06/03/19	SP	INR	<u>2,904,193</u>	<u>0.36</u>
TOTAL SUPRANATIONAL				<u>10,505,285</u>	<u>1.30</u>
GOVERNMENT AND MUNICIPAL BONDS					
510,000,000	Government of South Africa, senior bond, 7.00%, 02/28/31	ZAF	ZAR	29,604,900	3.66
105,000,000	Government of Poland, 1.50%, 04/25/20	POL	PLN	24,779,677	3.07
790,780,303	Government of Uruguay, senior bond, Index Linked, 3.70%, 06/26/37	URY	UYU	23,375,734	2.89
23,000,000	Government of Angola, senior note, Reg S, 9.50%, 11/12/25	AGO	USD	21,468,730	2.66
26,200,000	Government of Iraq, Reg S, 5.80%, 01/15/28	IRQ	USD	20,500,250	2.54
4,300,000	Government of Mexico, senior note, M, 5.00%, 12/11/19	MEX	MXN	18,390,642	2.28
19,400,000	Government of Colombia, senior bond, 4.375%, 07/12/21	COL	USD	16,520,959	2.04
14,500,000	Government of Argentina, Reg S, 5.00%, 01/15/27	ARG	EUR	14,123,797	1.75
16,600,000	Government of Ethiopia, senior note, Reg S, 6.625%, 12/11/24	ETH	USD	13,909,999	1.72
19,380,000	Peru Enhanced Pass-Through Finance Ltd., senior secured bond, A-2, Reg S, zero cpn., 06/02/25	PER	USD	13,878,958	1.72
16,000,000	Government of Indonesia, senior note, Reg S, 3.75%, 04/25/22	IDN	USD	13,238,134	1.64
14,746,000	Government of El Salvador, senior bond, Reg S, 7.65%, 06/15/35	SLV	USD	12,770,303	1.58
15,000,000	Government of Gabon, senior note, Reg S, 6.95%, 06/16/25	GAB	USD	12,400,070	1.53
16,000,000	Government of Turkey, 3.25%, 03/23/23	TUR	USD	12,236,619	1.51
11,000,000	Government of Poland, senior note, Reg S, 0.875%, 10/14/21	POL	EUR	11,304,975	1.40
11,100,000	Government of Indonesia, 1.75%, 04/24/25	IDN	EUR	11,118,870	1.38
10,700,000	Government of Cameroon, senior note, Reg S, 9.50%, 11/19/25	CMR	USD	10,217,023	1.26
10,495,000	Province de Neuquen, senior secured bond, Reg S, 8.625%, 05/12/28	ARG	USD	9,179,226	1.14
1,480,000,000	Banque Centrale de Tunisie International Bond, senior bond, 4.20%, 03/17/31	TUN	JPY	9,080,164	1.12
1,102,250,000	Kenya Infrastructure Bond, 11.00%, 09/15/25	KEN	KES	8,908,768	1.10
44,000,000	Government of Ghana, senior note, 18.25%, 07/25/22	GHA	GHS	8,750,069	1.08
9,500,000	Government of Armenia, senior note, Reg S, 7.15%, 03/26/25	ARM	USD	8,464,073	1.05
465,000,000	Government of the Dominican Republic, senior note, Reg S, 8.90%, 02/15/23	DOM	DOP	8,067,094	1.00
10,200,000	Government of Ukraine, senior bond, Reg S, 7.375%, 09/25/32	UKR	USD	7,797,340	0.96
8,900,000	Government of Belarus International Bond, senior note, Reg S, 6.875%, 02/28/23	BLR	USD	7,733,940	0.96
575,000,000	Government of Russia, 7.00%, 08/16/23	RUS	RUB	7,655,855	0.95
9,000,000	Government of Paraguay, senior note, Reg S, 4.625%, 01/25/23	PRY	USD	7,604,380	0.94
26,875,000	Government of Peru, senior bond, Reg S, 6.35%, 08/12/28	PER	PEN	7,440,722	0.92
22,450,000,000	Bogota Distrito Capital, senior bond, Reg S, 9.75%, 07/26/28	COL	COP	7,213,142	0.89
9,000,000	Government of Costa Rica, senior bond, Reg S, 4.25%, 01/26/23	CRI	USD	7,175,560	0.89
7,900,000	Government of Georgia, Reg S, 6.875%, 04/12/21	GEO	USD	7,063,922	0.87
7,200,000	Government of Jamaica, senior bond, 7.875%, 07/28/45	JAM	USD	6,966,031	0.86
8,300,000	Government of Mexico, senior note, 3.75%, 01/11/28	MEX	USD	6,485,180	0.80
8,200,000	Government of Colombia, senior bond, 2.625%, 03/15/23	COL	USD	6,443,706	0.80
7,800,000	Government of Jordan, senior bond, Reg S, 6.125%, 01/29/26	JOR	USD	6,341,903	0.78
6,000,000	Government of Honduras, senior bond, Reg S, 7.50%, 03/15/24	HND	USD	5,407,749	0.67
4,700,000	Government of Albania, Reg S, 5.75%, 11/12/20	ALB	EUR	5,230,630	0.65
6,000,000	Government of Suriname, 9.00%, 06/28/19**	SUR	USD	4,917,124	0.61
22,040,000	Government of Ghana, 24.75%, 07/19/21	GHA	GHS	4,908,921	0.61
457,400,000	Kenya Infrastructure Bond, senior note, 12.50%, 05/12/25	KEN	KES	3,897,292	0.48
78,500,000	Government of Egypt, 16.75%, 09/06/19	EGY	EGP	3,696,871	0.46
4,000,000	Government of Suriname, senior note, Reg S, 9.25%, 10/26/26	SUR	USD	3,376,744	0.42
4,100,000	Government of Kazakhstan, senior bond, Reg S, 4.875%, 10/14/44	KAZ	USD	3,346,141	0.41
3,850,000	Provincia de Tierra Del Fuego Argentina, secured note, Reg S, 8.95%, 04/17/27	ARG	USD	3,318,551	0.41
7,272,000	Government of Bosnia & Herzegovina, senior bond, B, Reg S, FRN, 0.50%, 12/20/21	BIH	DEM	3,264,326	0.40
3,500,000	Government of Kenya, senior note, Reg S, 6.875%, 06/24/24	KEN	USD	3,009,258	0.37
584,542	Mexican Udibonos, Index Linked, 4.50%, 12/04/25	MEX	MXN	2,740,640	0.34
3,500,000	Provincia del Chubut Argentina, secured note, Reg S, 7.75%, 07/26/26	ARG	USD	2,740,510	0.34
390,000,000	Banque Centrale de Tunisie International Bond, senior bond, 4.30%, 08/02/30	TUN	JPY	2,385,125	0.29
75,151,810	Government of Uruguay, senior bond, Index Linked, 4.375%, 12/15/28	URY	UYU	2,364,380	0.29
2,400,000	Government of Egypt, senior note, Reg S, 7.50%, 01/31/27	EGY	USD	2,101,771	0.26
37,000,000	Government of Egypt, 18.15%, 06/13/20	EGY	EGP	1,805,010	0.22
31,500,000	Government of Egypt, 16.40%, 09/05/20	EGY	EGP	1,498,956	0.19
6,410,000,000	Government of Uganda, 13.75%, 06/13/19	UGA	UGX	1,466,689	0.18
44,000,000	Uruguay Notas del Tesoro, senior note, 13.90%, 07/29/20	URY	UYU	1,384,411	0.17
900,000	Government of Honduras, senior note, Reg S, 8.75%, 12/16/20	HND	USD	816,322	0.10
100,000,000	Banque Centrale de Tunisie International Bond, senior note, 3.28%, 08/09/27	TUN	JPY	621,171	0.08
1,000,000	Government of Ukraine, Reg S, VRI, GDP Linked Security, 05/31/40	UKR	USD	561,419	0.07
56,000,000	Kenya Infrastructure Bond, 12.50%, 01/10/33	KEN	KES	482,092	0.06
517,880	Province of Salta Argentina, senior secured note, Reg S, 9.50%, 03/16/22	ARG	USD	<u>445,912</u>	<u>0.06</u>
TOTAL GOVERNMENT AND MUNICIPAL BONDS				<u>483,998,730</u>	<u>59.88</u>
QUASI-SOVEREIGN AND CORPORATE BONDS					
Construction & Engineering					
3,287,358	Saderea DAC, senior secured bond, Reg S, 12.50%, 11/30/26	GHA	USD	<u>3,102,693</u>	<u>0.38</u>

— Franklin Emerging Market Debt Opportunities II Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — EUR)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Highways & Railtracks					
96,000,000	Red de Carreteras de Occidente Sapib de CV, senior secured bond, Reg S, 9.00%, 06/10/28	MEX	MXN	4,136,322	0.51
12,400,895,710	Fideicomiso PA Costera, senior secured bond, B, Reg S, Index Linked, 6.25%, 01/15/34	COL	COP	3,797,963	0.47
2,800,000	Fideicomiso PA Costera, senior bond, Reg S, 6.75%, 01/15/34	COL	USD	2,457,258	0.31
				<u>10,391,543</u>	<u>1.29</u>
Integrated Oil & Gas					
6,491,250	Petroleum Co. of Trinidad and Tobago Ltd., senior bond, Reg S, 6.00%, 05/08/22	TTO	USD	5,405,067	0.67
Other Diversified Financial Services					
17,200,000	Oiflow SPV 1 DAC (KRG), secured note, Reg S, 12.00%, 01/13/22	IRQ	USD	14,961,159	1.85
6,462,288	IIRSA Norte Finance Ltd., secured bond, first lien, Reg S, 8.75%, 05/30/24	PER	USD	6,045,772	0.75
5,100,000	Rio Oil Finance Trust Series 2018-1, senior secured note, Reg S, 8.20%, 04/06/28	BRA	USD	4,406,052	0.54
1,855,000	Mestenio Ltd., secured note, Reg S, 8.50%, 01/02/20	DOM	USD	1,595,299	0.20
				<u>27,008,282</u>	<u>3.34</u>
TOTAL QUASI-SOVEREIGN AND CORPORATE BONDS				<u>45,907,585</u>	<u>5.68</u>
SECURITIES MATURING WITHIN ONE YEAR					
94,000,000	Government of Turkey, 8.70%, 07/11/18	TUR	TRY	18,993,834	2.35
9,400,000	National Savings Bank, senior note, Reg S, 8.875%, 09/18/18	LKA	USD	7,915,425	0.98
1,000,000,000	European Bank for Reconstruction & Development, senior note, 7.639%, 02/21/19**	SP	KZT	2,507,806	0.31
10,400,000,000	Government of Uganda, 18.625%, 02/21/19	UGA	UGX	2,491,167	0.31
4,600,530	International Finance Corp., senior note, 10.25%, 12/05/18	SP	AZN	2,206,866	0.27
7,176,000,000	Government of Uganda, 14.625%, 11/01/18	UGA	UGX	1,645,344	0.20
25,350,000	Egypt Treasury Bill, 0.00%, 05/29/18	EGY	EGP	1,172,375	0.15
				<u>36,932,817</u>	<u>4.57</u>
TOTAL SECURITIES MATURING WITHIN ONE YEAR				<u>36,932,817</u>	<u>4.57</u>
TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				<u>774,889,839</u>	<u>95.88</u>
TOTAL INVESTMENTS				<u>774,889,839</u>	<u>95.88</u>

* These Bonds are currently in default

** These securities are submitted to a Fair Valuation

— Franklin Upper Tier Floating Rate Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET					
ASSET-BACKED SECURITIES					
Electric Utilities					
6,300,000	Race Point IX CLO Ltd., 2015-9A, A1AR, 144A, FRN, 3.558%, 10/15/30	USA	USD	6,337,485	0.37
Other Diversified Financial Services					
11,840,000	BlueMountain CLO Ltd., 2014, CL 3A, 144A, FRN, 3.488%, 10/15/26	USA	USD	11,848,288	0.70
10,820,000	Carlyle Global Market Strategies CLO Ltd., 2014-1A, A1R2, 144A, FRN, 3.31%, 04/17/31	USA	USD	10,820,181	0.64
9,190,000	LCM XXV Ltd., 25A, A, 144A, FRN, 3.569%, 07/22/30	USA	USD	9,244,680	0.55
6,220,051	Cent CLO LP, 2014-22A, BR, 144A, FRN, 4.743%, 11/07/26	USA	USD	6,235,601	0.37
4,146,700	BlueMountain CLO Ltd., 2012-2A, AR, 144A, FRN, 3.305%, 11/20/28	USA	USD	4,157,398	0.25
4,146,700	Atrium XI, 2011A, A2R, 144A, FRN, 3.502%, 10/23/25	USA	USD	4,152,091	0.24
4,146,700	Carlyle Global Market Strategies CLO Ltd., 2014-4A, AR2, 144A, 2.97%, 10/15/26	USA	USD	4,145,580	0.24
3,836,836	Octagon Investment Partners XX Ltd., 2014-1A, AR, 144A, FRN, 2.941%, 08/12/26	USA	USD	3,841,057	0.23
3,200,000	Cent CLO 21 Ltd., 2014-21A, A1AR, 144A, FRN, 3.576%, 07/27/26	USA	USD	3,203,392	0.19
2,073,351	Atrium XI, 11A, CR, 144A, FRN, 4.511%, 10/23/25	USA	USD	2,079,094	0.12
				<u>59,727,362</u>	<u>3.53</u>
	TOTAL ASSET-BACKED SECURITIES			<u>66,064,847</u>	<u>3.90</u>
	TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET			<u>66,064,847</u>	<u>3.90</u>
TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS					
SENIOR FLOATING RATE INTEREST					
Aerospace & Defense					
24,411,066	Delos Finance S.A.R.L. (AerCap), New Loans, 4.052%, 10/06/23	LUX	USD	24,606,867	1.45
15,997,248	Leidos Innovations Corp., Term Loan B, 3.688%, 08/16/23	USA	USD	16,142,216	0.95
9,200,598	Flying Fortress Holdings LLC (ILFC), New Loan, 4.052%, 10/30/22	USA	USD	9,265,498	0.55
				<u>50,014,581</u>	<u>2.95</u>
Airlines					
18,244,144	Air Canada, Term Loan, 3.984%, 10/06/23	CAN	USD	18,377,180	1.09
3,939,360	American Airlines Inc., 2017 Replacement Term Loans, 3.90%, 06/27/20	USA	USD	3,950,193	0.23
				<u>22,327,373</u>	<u>1.32</u>
Apparel Retail					
40,388,691	Ascena Retail Group Inc., Tranche B Term Loan, 6.438%, 08/21/22	USA	USD	35,407,433	2.09
Auto Parts & Equipment					
24,037,352	Allison Transmission Inc., New Term Loans, 3.65%, 09/23/22	USA	USD	24,261,332	1.43
15,838,718	TI Group Automotive Systems LLC, Initial US Term Loan, 4.401%, 06/30/22	USA	USD	15,979,635	0.95
2,387,435	American Axle and Manufacturing Inc., Tranche B Term Loan, 4.15%, 04/06/24	USA	USD	2,401,612	0.14
				<u>42,642,579</u>	<u>2.52</u>
Broadcasting					
24,289,520	Gray Television Inc., Term B-2 Loan, 4.137%, 02/07/24	USA	USD	24,421,097	1.44
9,974,748	Sinclair Television Group Inc., Tranche B Term Loans, 4.16%, 01/03/24	USA	USD	10,026,446	0.59
8,241,028	Sinclair Television Group Inc., Tranche B-1 Term Loans, 6.25%, 01/31/25	USA	USD	8,288,241	0.49
				<u>42,735,784</u>	<u>2.52</u>
Cable & Satellite					
19,744,676	Charter Communications Operating LLC, Term A-2 Loan, 3.41%, 03/31/23	USA	USD	19,790,957	1.17
19,245,246	Altice U.S. Finance I Corp., March 2017 Refinancing Term Loan Commitments, 4.151%, 07/28/25	USA	USD	19,245,246	1.13
16,395,838	CSC Holdings LLC, March 2017 Incremental Term Loans, 4.147%, 07/17/25	USA	USD	16,414,283	0.97
6,599,051	Mediacom Illinois LLC, Tranche N Term Loan, 3.50%, 02/15/24	USA	USD	6,634,106	0.39
4,237,147	MCC Iowa LLC (Mediacom Broadband), Tranche M Term Loan, 3.75%, 01/25/25	USA	USD	4,256,566	0.25
				<u>66,341,158</u>	<u>3.91</u>
Casinos & Gaming					
13,274,960	CCM Merger Inc., Term Loan, 4.651%, 08/09/21	USA	USD	13,371,203	0.79
10,827,479	Aristocrat Technologies Inc., Term B-2 Loans, 4.359%, 10/20/21	USA	USD	10,899,687	0.64
9,996,986	Boyd Gaming Corp., Refinancing Term B Loans, 4.25%, 09/15/23	USA	USD	10,062,936	0.59
7,899,178	Wynn America LLC, Term Facility Loan, 3.66%, 11/20/20	USA	USD	7,899,179	0.47
4,911,881	Penn National Gaming Inc., Term Loan A, 3.651%, 01/19/22	USA	USD	4,922,628	0.29
4,225,984	Eldorado Resorts Inc., Initial Term Loan, 4.125% - 4.188%, 04/17/24	USA	USD	4,251,078	0.25
2,523,964	CEOC LLC, Term B Loans, 4.377%, 10/06/24	USA	USD	2,531,852	0.15
873,232	Penn National Gaming Inc., Term Loan, 4.401%, 01/19/24	USA	USD	880,054	0.05
				<u>54,818,617</u>	<u>3.23</u>
Coal & Consumable Fuels					
31,301,118	Foresight Energy LLC, Term Loans, 8.109%, 03/28/22	USA	USD	30,698,571	1.81
Commodity Chemicals					
13,841,936	Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 3.901%, 03/31/24	USA	USD	13,907,906	0.82
Communications Equipment					
23,806,980	CommScope Inc., Tranche 5 Term Loans, 3.901%, 12/29/22	USA	USD	23,978,105	1.41
13,559,444	Ciena Corp., Refinancing Term Loan, 4.397%, 01/28/22	USA	USD	13,644,190	0.81
				<u>37,622,295</u>	<u>2.22</u>

— Franklin Upper Tier Floating Rate Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Construction & Engineering					
23,918,112	AECOM, Term B Loans, 3.651%, 03/13/25	USA	USD	<u>24,007,805</u>	<u>1.42</u>
Data Processing & Outsourced Services					
24,248,299	Wex Inc., Term B Loan, 4.151%, 07/01/23	USA	USD	24,437,727	1.44
10,148,819	Global Payments Inc., Term A-2 Loan, 3.498%, 05/02/22	USA	USD	10,176,302	0.60
10,143,174	Iron Mountain Information Management LLC, Term B Loan, 3.898%, 01/26/26	USA	USD	<u>10,116,244</u>	<u>0.60</u>
				<u>44,730,273</u>	<u>2.64</u>
Diversified Chemicals					
12,153,283	Chemours Co., Tranche B-2 US\$ Term Loan, 3.66%, 04/03/25	USA	USD	<u>12,179,874</u>	<u>0.72</u>
Diversified Support Services					
11,843,069	Ventia Pty. Ltd., Term B Loans (USD), 5.802%, 05/21/22	AUS	USD	12,020,715	0.71
3,342,163	KAR Auction Services Inc., Tranche B-5 Term Loans, 4.813%, 03/09/23	USA	USD	<u>3,360,267</u>	<u>0.20</u>
				<u>15,380,982</u>	<u>0.91</u>
Electric Utilities					
8,067,021	EFS Cogen Holdings I LLC (Linden), Term B Advance, 5.56%, 06/28/23	USA	USD	<u>8,117,440</u>	<u>0.48</u>
Fertilizers & Agricultural Chemicals					
7,621,612	Mosaic Co., Term Loan A, 3.401%, 11/18/21	USA	USD	<u>7,602,558</u>	<u>0.45</u>
Food Distributors					
13,274,983	Aramark Corp., U.S. Term B-1 Loan, 3.901%, 03/11/25	USA	USD	13,378,687	0.79
11,109,794	Aramark Services Inc., U.S. Term B Loan, 3.901%, 03/28/24	USA	USD	11,196,584	0.66
2,003,582	Nutraceutical International Corp., Term Loan B, 5.151%, 08/22/23	USA	USD	<u>2,008,591</u>	<u>0.12</u>
				<u>26,583,862</u>	<u>1.57</u>
Forest Products					
20,210,263	Appvion Inc., Roll-Up Loans, PIK, 8.401%, 07/01/18†	USA	USD	<u>20,210,263</u>	<u>1.19</u>
Health Care Distributors					
17,512,991	Mallinckrodt International Finance SA/CB LLC, 2017 Term B Loans, 5.203%, 09/24/24	LUX	USD	<u>17,426,984</u>	<u>1.03</u>
Health Care Services					
23,607,779	DaVita Healthcare Partners Inc., Tranche B Term Loan, 4.651%, 06/24/21	USA	USD	23,856,511	1.41
11,577,111	U.S. Renal Care Inc., Initial Term Loan, 6.552%, 12/31/22	USA	USD	11,540,933	0.68
10,297,274	Envision Healthcare Corp., Initial Term Loans, 4.91%, 12/01/23	USA	USD	<u>10,362,599</u>	<u>0.61</u>
				<u>45,760,043</u>	<u>2.70</u>
Health Care Technology					
16,787,500	Quintiles IMS Inc., Term B-1 Dollar Loans, 4.302%, 03/07/24	USA	USD	16,899,422	1.00
6,982,456	Quintiles IMS Inc., Term B-2 Dollar Loans, 4.302%, 01/20/25	USA	USD	<u>7,026,097</u>	<u>0.41</u>
				<u>23,925,519</u>	<u>1.41</u>
Hotels, Resorts & Cruise Lines					
19,662,208	Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.647%, 10/25/23	USA	USD	<u>19,845,361</u>	<u>1.17</u>
Household Products					
23,981,813	Spectrum Brands Inc., USD Term Loans, 3.791% - 4.056%, 06/23/22	USA	USD	<u>24,024,644</u>	<u>1.42</u>
Independent Power Producers & Energy Traders					
24,253,590	NRG Energy Inc., Term loan B, 4.052%, 06/30/23	USA	USD	24,343,328	1.43
17,059,308	Helix Gen Funding LLC, Term Loan, 5.651%, 06/02/24	USA	USD	<u>17,233,091</u>	<u>1.02</u>
				<u>41,576,419</u>	<u>2.45</u>
Industrial Machinery					
22,542,917	Harsco Corp., Term B-1 Loan, 4.938%, 12/10/24	USA	USD	22,874,028	1.35
14,983,948	Navistar Inc., Tranche B Term Loan, 5.40%, 11/06/24	USA	USD	15,105,692	0.89
9,178,064	Mueller Water Products Inc., Loans, 4.401% - 4.802%, 11/26/21	USA	USD	<u>9,266,981</u>	<u>0.55</u>
				<u>47,246,701</u>	<u>2.79</u>
Integrated Telecommunication Services					
20,930,331	Zayo Group LLC, 2017 Incremental Refinancing B-1 Term Loan, 3.901%, 01/19/21	USA	USD	21,054,616	1.24
8,340,738	Consolidated Communications Inc., Initial Term Loan, 4.91%, 10/05/23	USA	USD	<u>8,276,447</u>	<u>0.49</u>
				<u>29,331,063</u>	<u>1.73</u>
Internet Software & Services					
16,610,797	Rackspace Hosting Inc., Term B Loans, 4.787%, 11/03/23	USA	USD	<u>16,591,196</u>	<u>0.98</u>
Investment Banking & Brokerage					
32,141,923	FinCo I LLC, Initial Term Loans, 4.651%, 12/27/22	USA	USD	32,503,519	1.92
8,213,831	Russell Investments US Institutional Holdco Inc., Term Loan B, 4.943%, 06/01/23	USA	USD	<u>8,285,702</u>	<u>0.49</u>
				<u>40,789,221</u>	<u>2.41</u>
IT Consulting & Other Services					
13,340,237	Sungard Availability Services Capital Inc., 2022 Tranche B Term Loans, 11.901%, 10/01/22	USA	USD	13,281,874	0.78
5,529,480	Gartner Inc., Tranche A Term Loans, 3.901%, 03/20/22	USA	USD	<u>5,584,775</u>	<u>0.33</u>
				<u>18,866,649</u>	<u>1.11</u>

— Franklin Upper Tier Floating Rate Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Life Sciences Tools & Services					
9,568,936	Syneos Health Inc., Initial Term B Loans, 4.151%, 08/01/24	USA	USD	<u>9,609,308</u>	<u>0.57</u>
Marine					
5,202,520	Navios Maritime Midstream Partners LP, Initial Term Loan, 6.71%, 06/18/20	MHL	USD	<u>5,179,759</u>	<u>0.31</u>
Metal & Glass Containers					
23,871,793	Crown Americas LLC, Term B Loans, 4.312%, 01/29/25	USA	USD	<u>24,119,845</u>	<u>1.42</u>
Movies & Entertainment					
22,141,675	Live Nation Entertainment Inc., Term B-3 Loans, 3.688%, 10/31/23	USA	USD	22,298,504	1.32
11,673,082	AMC Entertainment Holdings Inc., Initial Term Loans, 4.147%, 12/15/22	USA	USD	11,742,398	0.69
10,870,947	Lions Gate Capital Holdings LLC, Term A Loan, 3.648%, 03/22/23	CAN	USD	10,911,713	0.64
4,812,898	AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 4.147%, 12/15/23	USA	USD	<u>4,829,945</u>	<u>0.29</u>
				<u>49,782,560</u>	<u>2.94</u>
Office Services & Supplies					
6,800,063	Conduent Business Services LLC, Delayed Draw Term A Loan, 4.151%, 12/07/21	USA	USD	<u>6,817,063</u>	<u>0.40</u>
Oil & Gas Exploration & Production					
33,250,498	Fieldwood Energy LLC, Closing Date Loans, 7.151%, 04/11/22	USA	USD	<u>33,479,095</u>	<u>1.98</u>
Oil & Gas Storage & Transportation					
8,420,010	Strike LLC, Term Loan, 10.302% - 10.453%, 11/30/22	USA	USD	8,577,885	0.51
3,320,802	OSG Bulk Ships Inc., Initial Term Loan, 6.04%, 08/05/19	USA	USD	<u>3,233,631</u>	<u>0.19</u>
				<u>11,811,516</u>	<u>0.70</u>
Packaged Foods & Meats					
23,648,269	Post Holdings Inc., Series A Incremental Term Loans, 3.90%, 05/24/24	USA	USD	23,779,186	1.40
23,347,059	Pinnacle Foods Finance LLC, Initial B Term Loan, 3.659%, 02/03/24	USA	USD	23,551,345	1.39
22,211,087	B&G Foods Inc., Tranche B-3 Term Loan, 3.901%, 11/02/22	USA	USD	22,368,409	1.32
16,108,690	JBS USA LUX SA, New Initial Term Loans, 4.678%, 10/30/22	BRA	USD	<u>16,114,731</u>	<u>0.95</u>
				<u>85,813,671</u>	<u>5.06</u>
Paper Packaging					
11,932,779	Caraustar Industries Inc., Refinancing Term Loans, 7.802%, 03/14/22	USA	USD	<u>11,977,527</u>	<u>0.71</u>
Pharmaceuticals					
16,480,830	Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.394%, 04/01/22	USA	USD	16,684,039	0.98
14,618,383	Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 6.188%, 04/29/24	USA	USD	14,569,660	0.86
10,800,049	Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 4.00%, 01/31/25	USA	USD	10,870,141	0.64
1,309,712	RPI Finance Trust, Term A-3 Loan, 4.052%, 10/14/21	USA	USD	1,312,986	0.08
858,219	Innoviva Inc., Initial Term Loan, 6.373%, 08/18/22	USA	USD	<u>867,874</u>	<u>0.05</u>
				<u>44,304,700</u>	<u>2.61</u>
Railroads					
6,271,324	Genesee & Wyoming Inc., Domestic Term Loans (TLA), 3.401%, 03/31/20	USA	USD	<u>6,298,761</u>	<u>0.37</u>
Research & Consulting Services					
6,930,000	Nielsen Finance LLC, Class B-4 Term Loans, 3.895%, 10/04/23	USA	USD	6,975,475	0.41
2,882,919	Nielsen Finance LLC, Class A Term Loan, 3.895%, 04/30/19	USA	USD	<u>2,894,932</u>	<u>0.17</u>
				<u>9,870,407</u>	<u>0.58</u>
Restaurants					
24,379,658	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term Loan B, 3.644%, 04/03/25	USA	USD	<u>24,592,980</u>	<u>1.45</u>
Semiconductor Equipment					
7,405,514	MKS Instruments Inc., Tranche B-4 Term Loan, 3.651%, 04/29/23	USA	USD	<u>7,459,908</u>	<u>0.44</u>
Semiconductors					
23,480,092	ON Semiconductor Corp., 2017 Replacement Term B-2 Loans, 3.901%, 03/31/23	USA	USD	<u>23,653,257</u>	<u>1.40</u>
Specialized Consumer Services					
24,574,077	Avis Budget Car Rental LLC, Tranche B Term Loans, 4.31%, 02/13/25	USA	USD	24,789,101	1.46
6,627,624	Sabre GBLB Inc., 2017 Other Term A Loans, 3.901%, 07/01/22	USA	USD	6,644,193	0.39
4,857,760	NVA Holdings Inc., Term B-3 Loan, 5.052%, 02/02/25	USA	USD	4,882,807	0.29
906,136	Sabre GBLB Inc., Term Loan B, 3.901%, 02/22/24	USA	USD	<u>910,312</u>	<u>0.06</u>
				<u>37,226,413</u>	<u>2.20</u>
Specialized Finance					
11,155,320	First Eagle Holdings Inc., Initial Term Loans, 5.302%, 12/01/22	USA	USD	<u>11,263,393</u>	<u>0.66</u>
Specialty Chemicals					
24,272,157	Ashland LLC, Term B Loan, 3.897% - 3.901%, 05/17/24	USA	USD	24,502,742	1.44
24,074,596	Axalta Coating Systems U.S. Holdings Inc., Term B-2 Dollar Loans, 4.052%, 06/01/24	USA	USD	24,199,062	1.43
14,305,241	WR Grace & Co., Term B-2 Loans, 4.058%, 04/03/25	USA	USD	14,380,344	0.85
8,344,724	WR Grace & Co., Term B-1 Loans, 4.058%, 04/03/25	USA	USD	8,387,315	0.49
1,114,675	KMG Chemicals Inc., Initial Term Loan, 4.651%, 06/15/24	USA	USD	<u>1,124,429</u>	<u>0.07</u>
				<u>72,593,892</u>	<u>4.28</u>

— Franklin Upper Tier Floating Rate Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Specialty Stores					
24,032,897	General Nutrition Centers Inc., Tranche B-2 Term Loans, 10.66%, 03/04/21	USA	USD	23,106,621	1.36
21,703,810	PetSmart Inc., Tranche B-2 Loans, 4.89%, 03/11/22	USA	USD	17,055,570	1.01
9,783,506	General Nutrition Centers Inc., FILO Term Loan (ABL), 8.91%, 12/31/22	USA	USD	<u>10,125,929</u>	<u>0.60</u>
				<u>50,288,120</u>	<u>2.97</u>
Technology Hardware, Storage & Peripherals					
8,048,433	Western Digital Corp., U.S. Term B-3 Loan, 3.90%, 04/29/23	USA	USD	<u>8,109,512</u>	<u>0.48</u>
Trucking					
24,239,503	The Hertz Corp., Tranche B-1 Term Loan, 4.651%, 06/30/23	USA	USD	<u>24,319,033</u>	<u>1.43</u>
	TOTAL SENIOR FLOATING RATE INTEREST			<u>1,439,283,874</u>	<u>84.93</u>
	TOTAL TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS			<u>1,439,283,874</u>	<u>84.93</u>
	TOTAL INVESTMENTS			<u>1,505,348,721</u>	<u>88.83</u>

‡ Income may be received in additional securities and/or cash

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING					
SHARES					
Oil & Gas Exploration & Production					
8,318	Breitbart Energy Partners LP	USA	USD	95,657	0.37
TOTAL SHARES				<u>95,657</u>	<u>0.37</u>
TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING					
				<u>95,657</u>	<u>0.37</u>
TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET					
ASSET-BACKED SECURITIES					
Cable & Satellite					
135,000	Virgin Media Secured Finance PLC, senior secured bond, first lien, Reg S, 5.50%, 01/15/25	GBR	GBP	191,005	0.74
Other Diversified Financial Services					
350,000	TCI-Cent CLO Income Note Issuer Ltd., 2017-1A, B, 144A, FRN, 4.71%, 07/25/30	USA	USD	352,723	1.36
350,000	Carlyle U.S. CLO Ltd., 2017-3A, B, 144A, FRN, 4.709%, 07/20/29	USA	USD	351,900	1.35
300,000	Dryden 64 CLO Ltd., 2018-A, D, 144A, FRN, 0.00%, 04/18/31	USA	USD	300,000	1.15
250,000	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA1, M3, FRN, 5.197%, 10/25/27	USA	USD	278,702	1.07
250,000	Octagon Investment Partners 30 Ltd., 2017-1A, C, 144A, FRN, 5.859%, 03/17/30	USA	USD	251,547	0.97
244,855	FHLMC Structured Agency Credit Risk Debt Notes, 2016-DNA1, M2, FRN, 4.797%, 07/25/28	USA	USD	251,410	0.97
250,000	Octagon Investment Partners XXI Ltd., 2014-1A, C, 144A, FRN, 5.484%, 11/14/26	USA	USD	250,863	0.96
219,618	FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN3, M3, FRN, 5.897%, 08/25/24	USA	USD	240,767	0.93
207,780	FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN4, M3, FRN, 6.447%, 10/25/24	USA	USD	231,781	0.89
198,929	FHLMC Structured Agency Credit Risk Debt Notes, 2016-DNA2, M2, FRN, 4.097%, 10/25/28	USA	USD	201,483	0.77
191,937	FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN1, M2, FRN, 4.097%, 02/25/24	USA	USD	197,528	0.76
171,118	FNMA Connecticut Avenue Securities, 2014-C03, 1M2, FRN, 4.897%, 07/25/24	USA	USD	183,078	0.70
116,792	FHLMC Structured Agency Credit Risk Debt Notes, 2015-DNA2, M2, FRN, 4.497%, 12/25/27	USA	USD	119,409	0.46
108,033	FNMA Connecticut Avenue Securities, 2015-C02, 1M2, FRN, 5.897%, 05/25/25	USA	USD	118,680	0.46
113,569	FHLMC Structured Agency Credit Risk Debt Notes, 2015-HQA1, M2, FRN, 4.547%, 03/25/28	USA	USD	115,796	0.45
100,000	FNMA Connecticut Avenue Securities, 2014-C02, 1M2, FRN, 4.497%, 05/25/24	USA	USD	106,366	0.41
88,791	FNMA Connecticut Avenue Securities, 2015-C03, 1M2, FRN, 6.897%, 07/25/25	USA	USD	101,368	0.39
59,390	FHLMC Structured Agency Credit Risk Debt Notes, 2015-HQ1, M2, FRN, 4.097%, 03/25/25	USA	USD	59,799	0.23
16,328	FNMA Connecticut Avenue Securities, 2015-C03, 2M2, FRN, 6.897%, 07/25/25	USA	USD	18,208	0.07
TOTAL ASSET-BACKED SECURITIES				<u>3,731,408</u>	<u>14.35</u>
				<u>3,922,413</u>	<u>15.09</u>
BONDS					
Aerospace & Defense					
100,000	TA Manufacturing Ltd., senior note, Reg S, 3.625%, 04/15/23	USA	EUR	123,654	0.48
Alternative Carriers					
100,000	Zayo Group LLC/Zayo Capital Inc., senior note, 144A, 5.75%, 01/15/27	USA	USD	99,500	0.38
Apparel, Accessories & Luxury Goods					
100,000	Hanesbrands Inc., senior bond, 144A, 4.875%, 05/15/26	USA	USD	97,000	0.37
Application Software					
150,000	Infor (U.S.) Inc., senior note, 5.75%, 05/15/22	USA	EUR	185,664	0.71
Auto Parts & Equipment					
100,000	Allison Transmission Inc., senior note, 144A, 5.00%, 10/01/24	USA	USD	98,470	0.38
Biotechnology					
200,000	Baxalta Inc., senior note, 4.00%, 06/23/25	USA	USD	195,847	0.75
Broadcasting					
100,000	Nexstar Broadcasting Inc., senior note, 144A, 5.625%, 08/01/24	USA	USD	98,750	0.38
Cable & Satellite					
200,000	CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 144A, 5.375%, 05/01/25	USA	USD	197,125	0.76
200,000	DISH DBS Corp., senior bond, 5.00%, 03/15/23	USA	USD	173,250	0.66
				<u>370,375</u>	<u>1.42</u>
Casinos & Gaming					
200,000	International Game Technology PLC, senior secured bond, 144A, 6.50%, 02/15/25	USA	USD	214,500	0.83
100,000	Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.25%, 05/15/27	USA	USD	96,905	0.37
				<u>311,405</u>	<u>1.20</u>
Commercial Printing					
100,000	Multi-Color Corp., senior note, 144A, 4.875%, 11/01/25	USA	USD	93,500	0.36
Communications Equipment					
150,000	Matterhorn Telecom SA, senior secured note, Reg S, 3.875%, 05/01/22	LUX	EUR	184,171	0.71

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Construction Machinery & Heavy Trucks					
100,000	Vertiv Group Corp., senior note, 144A, 9.25%, 10/15/24	USA	USD	101,500	0.39
100,000	Terex Corp., senior note, 144A, 5.625%, 02/01/25	USA	USD	99,625	0.38
				<u>201,125</u>	<u>0.77</u>
Construction Materials					
200,000	Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 04/01/24	MEX	USD	205,281	0.79
Consumer Finance					
200,000	Navient Corp., senior note, 5.875%, 03/25/21	USA	USD	205,500	0.79
100,000	FirstCash Inc., senior note, 144A, 5.375%, 06/01/24	USA	USD	102,000	0.39
				<u>307,500</u>	<u>1.18</u>
Data Processing & Outsourced Services					
100,000	First Data Corp., senior note, 144A, 7.00%, 12/01/23	USA	USD	104,888	0.41
100,000	First Data Corp., secured note, second lien, 144A, 5.75%, 01/15/24	USA	USD	101,762	0.39
				<u>206,650</u>	<u>0.80</u>
Diversified Banks					
200,000	Wells Fargo & Co., junior sub. bond, S, 5.90% to 06/15/24, FRN thereafter, Perpetual	USA	USD	203,750	0.79
100,000	JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 08/01/23, FRN thereafter, Perpetual	USA	USD	101,968	0.39
				<u>305,718</u>	<u>1.18</u>
Diversified Chemicals					
150,000	PSPC Escrow Corp., senior note, Reg S, 6.00%, 02/01/23	USA	EUR	188,960	0.73
Diversified Metals & Mining					
200,000	First Quantum Minerals Ltd., senior note, 144A, 7.25%, 04/01/23	ZMB	USD	199,960	0.77
100,000	HudBay Minerals Inc., senior note, 144A, 7.25%, 01/15/23	CAN	USD	104,750	0.40
100,000	Freeport-McMoRan Inc., senior note, 4.55%, 11/14/24	USA	USD	97,000	0.38
				<u>401,710</u>	<u>1.55</u>
Diversified Support Services					
100,000	United Rentals North America Inc., senior bond, 5.875%, 09/15/26	USA	USD	104,625	0.40
Drug Retail					
100,000	Walgreens Boots Alliance Inc., senior note, 3.80%, 11/18/24	USA	USD	98,661	0.38
Education Services					
100,000	Ascend Learning LLC, senior note, 144A, 6.875%, 08/01/25	USA	USD	102,000	0.39
Electric Utilities					
200,000	EDF SA, junior sub. note, 144A, 5.25% to 01/29/23, FRN thereafter, Perpetual,	FRA	USD	199,860	0.77
Fertilizers & Agricultural Chemicals					
100,000	OCI NV, senior note, 144A, 6.625%, 04/15/23	NLD	USD	102,500	0.39
Food Distributors					
100,000	Aramark Services Inc., senior bond, 144A, 5.00%, 02/01/28	USA	USD	97,541	0.38
Food Retail					
100,000	Kroger Co., senior bond, 2.65%, 10/15/26	USA	USD	88,582	0.34
Health Care Equipment					
100,000	Avantor Inc., senior secured note, first lien, 144A, 6.00%, 10/01/24	USA	USD	100,750	0.39
Health Care Facilities					
200,000	HCA Inc., senior bond, 5.875%, 05/01/23	USA	USD	209,000	0.80
200,000	Tenet Healthcare Corp., senior note, 6.75%, 06/15/23	USA	USD	197,375	0.76
				<u>406,375</u>	<u>1.56</u>
Health Care Services					
100,000	MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 06/01/24	USA	USD	102,041	0.39
100,000	Catalent Pharma Solutions Inc., senior note, 144A, 4.875%, 01/15/26	USA	USD	97,625	0.38
100,000	DaVita Inc., senior bond, 5.125%, 07/15/24	USA	USD	97,062	0.37
100,000	CHS/Community Health Systems Inc., senior secured note, first lien, 6.25%, 03/31/23	USA	USD	91,438	0.35
100,000	CHS/Community Health Systems Inc., senior note, 6.875%, 02/01/22	USA	USD	54,625	0.21
				<u>442,791</u>	<u>1.70</u>
Heavy Electrical Equipment					
100,000	NEW Areva Holding SA, senior note, Reg S, 3.125%, 03/20/23	FRA	EUR	124,577	0.48
Homebuilding					
100,000	Beazer Homes USA Inc., senior note, 8.75%, 03/15/22	USA	USD	108,250	0.42
Independent Power Producers & Energy Traders					
200,000	Calpine Corp., senior note, 5.375%, 01/15/23	USA	USD	192,500	0.74
100,000	Dynegy Inc., senior note, 144A, 8.125%, 01/30/26	USA	USD	110,125	0.42
100,000	Vistra Energy Corp., senior note, 144A, 8.00%, 01/15/25	USA	USD	108,875	0.42
				<u>411,500</u>	<u>1.58</u>

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Industrial Machinery					
100,000	Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 08/01/24	USA	USD	109,250	0.42
100,000	Tennant Co., senior note, 5.625%, 05/01/25	USA	USD	102,393	0.39
				<u>211,643</u>	<u>0.81</u>
Integrated Telecommunication Services					
200,000	Sprint Communications Inc., senior note, 144A, 7.00%, 03/01/20	USA	USD	211,540	0.81
100,000	Intelsat Jackson Holdings SA, senior note, 7.25%, 10/15/20	LUX	USD	98,125	0.38
				<u>309,665</u>	<u>1.19</u>
Investment Banking & Brokerage					
200,000	The Goldman Sachs Group Inc., senior note, 3.75%, 02/25/26	USA	USD	193,944	0.75
200,000	Morgan Stanley, senior bond, 3.591% to 07/22/27, FRN thereafter, 07/22/28	USA	USD	190,149	0.73
100,000	Adient Global Holdings Ltd., senior note, 144A, 3.50%, 08/15/24	USA	EUR	123,061	0.47
				<u>507,154</u>	<u>1.95</u>
Managed Health Care					
100,000	WellCare Health Plans Inc., senior note, 5.25%, 04/01/25	USA	USD	100,760	0.39
Metal & Glass Containers					
100,000	Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, senior note, 144A, 7.00%, 07/15/24	USA	USD	104,312	0.40
100,000	BWAY Holding Co., senior note, 144A, 7.25%, 04/15/25	USA	USD	102,970	0.40
100,000	Novelis Corp., senior note, 144A, 6.25%, 08/15/24	USA	USD	102,125	0.39
100,000	Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.00%, 02/15/25	LUX	USD	101,750	0.39
100,000	Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, senior secured note, first lien, 144A, 5.125%, 07/15/23	USA	USD	100,563	0.39
100,000	Plastipak Holdings Inc., senior note, 144A, 6.25%, 10/15/25	USA	USD	97,500	0.37
				<u>609,220</u>	<u>2.34</u>
Movies & Entertainment					
100,000	AMC Entertainment Holdings Inc., senior sub. note, 6.375%, 11/15/24	USA	GBP	140,467	0.54
100,000	Netflix Inc., senior bond, Reg S, 3.625%, 05/15/27	USA	EUR	120,326	0.46
				<u>260,793</u>	<u>1.00</u>
Office Services & Supplies					
100,000	West Corp., senior note, 144A, 8.50%, 10/15/25	USA	USD	97,000	0.37
Oil & Gas Equipment & Services					
100,000	Weatherford International Ltd., senior note, 8.25%, 06/15/23	USA	USD	94,250	0.36
Oil & Gas Exploration & Production					
100,000	WPX Energy Inc., senior note, 8.25%, 08/01/23	USA	USD	114,000	0.44
123,000	California Resources Corp., secured note, second lien, 144A, 8.00%, 12/15/22	USA	USD	106,087	0.41
100,000	CONSOL Energy Inc., senior note, 8.00%, 04/01/23	USA	USD	105,250	0.40
5,000	California Resources Corp., senior note, 5.50%, 09/15/21	USA	USD	4,075	0.02
				<u>329,412</u>	<u>1.27</u>
Oil & Gas Refining & Marketing					
200,000	Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 06/15/23	USA	USD	181,750	0.70
100,000	Cheniere Corpus Christi Holdings LLC, senior secured note, first lien, 7.00%, 06/30/24	USA	USD	109,625	0.42
100,000	Cheniere Corpus Christi Holdings LLC, senior secured note, first lien, 5.875%, 03/31/25	USA	USD	103,471	0.40
				<u>394,846</u>	<u>1.52</u>
Oil & Gas Storage & Transportation					
200,000	Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 6.25%, 04/01/23	USA	USD	204,750	0.79
200,000	Kinder Morgan Inc., senior bond, 4.30%, 06/01/25	USA	USD	199,694	0.77
100,000	Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20	USA	USD	107,375	0.41
100,000	Sabine Pass Liquefaction LLC, senior secured note, first lien, 5.625%, 04/15/23	USA	USD	106,651	0.41
100,000	Sabine Pass Liquefaction LLC, senior secured bond, first lien, 5.00%, 03/15/27	USA	USD	102,955	0.39
100,000	Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 02/15/21	USA	USD	100,750	0.39
100,000	Cheniere Energy Partners LP, senior secured note, first lien, 144A, 5.25%, 10/01/25	USA	USD	98,000	0.38
				<u>920,175</u>	<u>3.54</u>
Other Diversified Financial Services					
100,000	CTC Bondco GmbH, senior secured note, 144A, 5.25%, 12/15/25	DEU	EUR	119,775	0.46
100,000	Park Aerospace Holdings Ltd., senior note, 144A, 5.50%, 02/15/24	IRL	USD	97,780	0.38
100,000	DAE Funding LLC, senior note, 144A, 5.00%, 08/01/24	ARE	USD	96,498	0.37
				<u>314,053</u>	<u>1.21</u>
Packaged Foods & Meats					
200,000	Kraft Heinz Foods Co., senior bond, 3.00%, 06/01/26	USA	USD	181,700	0.70
100,000	Lamb Weston Holdings Inc., senior note, 144A, 4.875%, 11/01/26	USA	USD	99,375	0.38
				<u>281,075</u>	<u>1.08</u>
Paper Packaging					
100,000	Crown Americas LLC/Crown Americas Capital Corp., senior note, 144A, 4.75%, 02/01/26	USA	USD	96,750	0.37

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Pharmaceuticals					
200,000	Horizon Pharma Inc./Horizon Pharma USA Inc., senior note, 144A, 8.75%, 11/01/24	USA	USD	214,000	0.82
200,000	Valeant Pharmaceuticals International Inc., senior bond, 144A, 6.125%, 04/15/25	USA	USD	181,144	0.70
200,000	Endo DAC/Endo Finance LLC/Endo Finco Inc., senior bond, 144A, 6.00%, 02/01/25	USA	USD	141,500	0.54
100,000	Teva Pharmaceutical Finance Netherlands IV BV, senior note, Reg S, 0.50%, 07/28/22	ISR	CHF	93,035	0.36
				<u>629,679</u>	<u>2.42</u>
Precious Metals & Minerals					
100,000	Northwest Acquisitions ULC/Dominion Finco Inc., secured note, second lien, 144A, 7.125%, 11/01/22	CAN	USD	102,080	0.39
Real Estate Services					
100,000	MPT Operating Partnership LP/MPT Finance Corp., senior bond, 5.00%, 10/15/27	USA	USD	95,000	0.37
Regional Banks					
124,000	CIT Group Inc., senior bond, 5.00%, 08/15/22	USA	USD	127,100	0.49
Restaurants					
100,000	Golden Nugget Inc., senior note, 144A, 6.75%, 10/15/24	USA	USD	101,750	0.39
Specialized Reits					
100,000	Equinix Inc., senior bond, 5.875%, 01/15/26	USA	USD	103,750	0.40
Specialty Stores					
100,000	PetSmart Inc., senior note, 144A, 7.125%, 03/15/23	USA	USD	58,750	0.23
Steel					
100,000	ArcelorMittal, senior note, 5.75%, 03/01/21	FRA	USD	105,394	0.40
100,000	SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., senior note, 144A, 7.50%, 06/15/25	USA	USD	103,250	0.40
100,000	FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 5.125%, 05/15/24	AUS	USD	99,340	0.38
				<u>307,984</u>	<u>1.18</u>
Systems Software					
100,000	Symantec Corp., senior note, 144A, 5.00%, 04/15/25	USA	USD	100,657	0.39
Technology Distributors					
100,000	CDW LLC/CDW Finance Corp., senior note, 5.00%, 09/01/25	USA	USD	100,220	0.39
Technology Hardware, Storage & Peripherals					
100,000	Tempo Acquisition LLC/Tempo Acquisition Finance Corp., senior note, 144A, 6.75%, 06/01/25	USA	USD	99,250	0.38
Trading Companies & Distributors					
200,000	Aircastle Ltd., senior note, 4.125%, 05/01/24	USA	USD	196,500	0.76
100,000	HD Supply Inc., senior note, 144A, 5.75%, 04/15/24	USA	USD	105,250	0.40
100,000	H&E Equipment Services Inc., senior note, 5.625%, 09/01/25	USA	USD	100,750	0.39
100,000	Beacon Roofing Supply Inc., senior note, 144A, 4.875%, 11/01/25	USA	USD	95,000	0.36
				<u>497,500</u>	<u>1.91</u>
Wireless Telecommunication Services					
200,000	T-Mobile USA Inc., senior bond, 6.50%, 01/15/24	USA	USD	210,000	0.81
TOTAL BONDS				<u>13,123,808</u>	<u>50.47</u>
TOTAL TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET				<u>17,046,221</u>	<u>65.56</u>
TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS					
SENIOR FLOATING RATE INTEREST					
Apparel Retail					
175,803	Ascena Retail Group Inc., Tranche B Term Loan, 6.438%, 08/21/22	USA	USD	154,121	0.59
Auto Parts & Equipment					
548,259	TI Group Automotive Systems LLC, Initial US Term Loan, 4.401%, 06/30/22	USA	USD	553,137	2.13
Broadcasting					
300,348	Gray Television Inc., Term B-2 Loan, 4.137%, 02/07/24	USA	USD	301,975	1.16
260,000	Sinclair Television Group Inc., Tranche B-1 Term Loans, 6.25%, 01/31/25	USA	USD	261,490	1.01
230,345	Nexstar Broadcasting Inc., Term Loan B-2, 4.407%, 01/17/24	USA	USD	231,554	0.89
29,581	Mission Broadcasting Inc., Term Loan B-2, 4.407%, 01/17/24	USA	USD	29,736	0.11
				<u>824,755</u>	<u>3.17</u>
Cable & Satellite					
289,653	CSC Holdings LLC, March 2017 Incremental Term Loans, 4.147%, 07/17/25	USA	USD	289,978	1.11
148,034	Charter Communications Operating LLC, Term A-2 Loan, 3.41%, 03/31/23	USA	USD	148,381	0.57
30,172	Altice U.S. Finance I Corp., March 2017 Refinancing Term Loan Commitments, 4.151%, 07/28/25	USA	USD	30,173	0.12
				<u>468,532</u>	<u>1.80</u>
Casinos & Gaming					
89,775	Aristocrat Technologies Inc., New 2017 Term Loans, 4.357% - 4.359%, 10/19/24	USA	USD	90,384	0.35
Coal & Consumable Fuels					
15,896	Bowie Resource Holdings LLC, First Lien Initial Term Loan, 7.651%, 08/14/20	USA	USD	15,668	0.06

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
Communications Equipment					
133,976	CommScope Inc., Tranche 5 Term Loans, 3.901%, 12/29/22	USA	USD	<u>134,939</u>	<u>0.52</u>
Data Processing & Outsourced Services					
97,365	Wex Inc., Term B Loan, 4.151%, 07/01/23	USA	USD	<u>98,126</u>	<u>0.38</u>
Diversified Chemicals					
104,460	Chemours Co., Tranche B-2 US\$ Term Loan, 3.66%, 04/03/25	USA	USD	<u>104,688</u>	<u>0.40</u>
Diversified Support Services					
56,035	KAR Auction Services Inc., Tranche B-5 Term Loans, 4.813%, 03/09/23	USA	USD	<u>56,339</u>	<u>0.22</u>
Electric Utilities					
19,991	EFS Cogen Holdings I LLC (Linden), Term B Advance, 5.56%, 06/28/23	USA	USD	<u>20,116</u>	<u>0.08</u>
Food Retail					
89,812	Smart & Final Stores LLC, First Lien Term Loan, 5.401%, 11/15/22	USA	USD	<u>88,241</u>	<u>0.34</u>
Health Care Services					
237,016	U.S. Renal Care Inc., Initial Term Loan, 6.552%, 12/31/22	USA	USD	236,275	0.91
172,884	DaVita Healthcare Partners Inc., Tranche B Term Loan, 4.651%, 06/24/21	USA	USD	<u>174,706</u>	<u>0.67</u>
				<u>410,981</u>	<u>1.58</u>
Health Care Technology					
228,066	Quintiles IMS Inc., Term B-2 Dollar Loans, 4.302%, 01/20/25	USA	USD	<u>229,491</u>	<u>0.88</u>
Independent Power Producers & Energy Traders					
336,589	Helix Gen Funding LLC, Term Loan, 5.651%, 06/02/24	USA	USD	340,017	1.31
157,200	NRG Energy Inc., Term loan B, 4.052%, 06/30/23	USA	USD	<u>157,782</u>	<u>0.60</u>
				<u>497,799</u>	<u>1.91</u>
Industrial Machinery					
283,775	Navistar Inc., Tranche B Term Loan, 5.40%, 11/06/24	USA	USD	286,081	1.10
35,204	Harsco Corp., Term B-1 Loan, 4.938%, 12/10/24	USA	USD	<u>35,721</u>	<u>0.14</u>
				<u>321,802</u>	<u>1.24</u>
Integrated Telecommunication Services					
39,250	Global Tel*Link Corp., Term Loan, 6.302%, 05/23/20	USA	USD	39,532	0.15
29,209	Consolidated Communications Inc., Initial Term Loan, 4.91%, 10/05/23	USA	USD	<u>28,984</u>	<u>0.11</u>
				<u>68,516</u>	<u>0.26</u>
Internet Software & Services					
58,674	Rackspace Hosting Inc., Term B Loans, 4.787%, 11/03/23	USA	USD	<u>58,604</u>	<u>0.23</u>
Investment Banking & Brokerage					
199,105	FinCo I LLC, Initial Term Loans, 4.651%, 12/27/22	USA	USD	<u>201,345</u>	<u>0.77</u>
Life Sciences Tools & Services					
150,000	Syneos Health Inc., Term Loan B, 5.75%, 08/01/24	USA	USD	150,726	0.58
110,423	Syneos Health Inc., Initial Term B Loans, 4.151%, 08/01/24	USA	USD	<u>110,889</u>	<u>0.43</u>
				<u>261,615</u>	<u>1.01</u>
Metal & Glass Containers					
114,941	Crown Americas LLC, Term B Loans, 4.312%, 01/29/25	USA	USD	<u>116,136</u>	<u>0.45</u>
Movies & Entertainment					
96,759	AMC Entertainment Holdings Inc., Initial Term Loans, 4.147%, 12/15/22	USA	USD	97,333	0.38
76,101	AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 4.147%, 12/15/23	USA	USD	76,371	0.29
64,836	Live Nation Entertainment Inc., Term B-3 Loans, 3.688%, 10/31/23	USA	USD	<u>65,295</u>	<u>0.25</u>
				<u>238,999</u>	<u>0.92</u>
Oil & Gas Exploration & Production					
457,277	Fieldwood Energy LLC, Closing Date Loans, 7.151%, 04/11/22	USA	USD	<u>460,420</u>	<u>1.77</u>
Packaged Foods & Meats					
266,470	B&G Foods Inc., Tranche B-3 Term Loan, 3.901%, 11/02/22	USA	USD	268,357	1.03
129,348	Post Holdings Inc., Series A Incremental Term Loans, 3.90%, 05/24/24	USA	USD	130,064	0.50
129,987	JBS USA LUX SA, New Initial Term Loans, 4.678%, 10/30/22	BRA	USD	130,036	0.50
38,461	Pinnacle Foods Finance LLC, Initial B Term Loan, 3.659%, 02/03/24	USA	USD	<u>38,798</u>	<u>0.15</u>
				<u>567,255</u>	<u>2.18</u>
Personal Products					
486,633	FGI Operating Co. LLC, Term B Loans, 5.824%, 04/19/19*	USA	USD	<u>127,133</u>	<u>0.49</u>
Pharmaceuticals					
420,853	Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 4.00%, 01/31/25	USA	USD	423,584	1.63
216,320	Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 6.188%, 04/29/24	USA	USD	215,599	0.83
118,407	Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.394%, 04/01/22	USA	USD	119,868	0.46
42,857	RPI Finance Trust, Term A-3 Loan, 4.052%, 10/14/21	USA	USD	<u>42,964</u>	<u>0.17</u>
				<u>802,015</u>	<u>3.09</u>

— Franklin Multi-Sector Credit Income Fund —
SCHEDULE OF INVESTMENTS AS OF APRIL 30, 2018 (continued)
(Currency — USD)

Number of shares or face value	Description	Country code	Trading currency	Market value	% of net assets
	Semiconductors				
170,646	ON Semiconductor Corp., 2017 Replacement Term B-2 Loans, 3.901%, 03/31/23	USA	USD	<u>171,904</u>	<u>0.66</u>
	Specialized Consumer Services				
196,999	Avis Budget Car Rental LLC, Tranche B Term Loans, 4.31%, 02/13/25	USA	USD	<u>198,723</u>	<u>0.76</u>
	Specialty Chemicals				
349,227	Ashland LLC, Term B Loan, 3.897% - 3.901%, 05/17/24	USA	USD	352,544	1.36
107,250	Oxbow Carbon LLC, Tranche A Term Loan, 4.401%, 01/04/22	USA	USD	<u>107,384</u>	<u>0.41</u>
				<u>459,928</u>	<u>1.77</u>
	Specialty Stores				
764,970	PetSmart Inc., Tranche B-2 Loans, 4.89%, 03/11/22	USA	USD	601,138	2.31
99,489	Harbor Freight Tools USA Inc., Refinancing Loans, 4.401%, 08/19/23	USA	USD	<u>100,001</u>	<u>0.39</u>
				<u>701,139</u>	<u>2.70</u>
	Technology Hardware, Storage & Peripherals				
62,307	Western Digital Corp., U.S. Term B-3 Loan, 3.90%, 04/29/23	USA	USD	<u>62,780</u>	<u>0.24</u>
	TOTAL SENIOR FLOATING RATE INTEREST			<u>8,565,631</u>	<u>32.95</u>
	TOTAL TRANSFERABLE SECURITIES LISTED ON A STOCK EXCHANGE OR OTHER ORGANISED MARKETS			<u>8,565,631</u>	<u>32.95</u>
	TOTAL INVESTMENTS			<u>25,707,509</u>	<u>98.88</u>

* These Bonds are currently in default

FRANKLIN TEMPLETON INVESTMENTS OFFICE DIRECTORY

Further information regarding Franklin Templeton Series II Funds is available from the following Franklin Templeton Investments office:

EUROPE

Luxembourg

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.
8A, rue Albert Borschette, L-1246 Luxembourg
B.P. 169, L-2011 Luxembourg
Grand-Duchy of Luxembourg
Tel: +352 46 66 67 1 Fax: +352 46 66 76
www.franklintempleton.lu

Please note that the website mentioned above is directed at residents within the country stated on the website. (Please refer to the website disclaimer).



FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l.
8A, rue Albert Borschette
L-1246 Luxembourg
Tel: +352 (46) 66- 67-1
Fax: +352 (46) 66-76