

FRANKLIN TEMPLETON INVESTMENT FUNDS

**FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025**

FRANKLIN TEMPLETON INVESTMENT FUNDS

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FRANKLIN TEMPLETON INVESTMENT FUNDS

DIRECTORY

THE MANAGER

FundRock NZ Limited
Level 2, 1 Woodward Street
PO Box 25003
Wellington 6011, New Zealand
This is also the address of the registered office.

THE SUPERVISOR

Public Trust
Level 2, 22 Willeston Street
Private Bag 5902
Wellington 6140, New Zealand

DIRECTORS OF THE MANAGER

Michael John COURTNEY (appointed 1 August 2024)
Anthony Robert John EDMONDS (resigned 1 August 2024)
Gareth James FLEMING (resigned 1 August 2024)
Rebecca Elizabeth PALMER (appointed 1 August 2024)
Hugh Duncan STEVENS
Jeremy Bruce VALENTINE

AUDITOR

PricewaterhouseCoopers
Level 4, 10 Waterloo Quay
PO Box 243
Wellington 6140, New Zealand

INVESTMENT MANAGER

Franklin Templeton Australia Limited

FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

BANKERS

ANZ Bank New Zealand Limited ("ANZ")
BNP Paribas

CORRESPONDENCE

All correspondence and enquiries about Franklin Templeton Investment Funds should be addressed to the Manager, FundRock NZ Limited, at the above address.

FRANKLIN TEMPLETON INVESTMENT FUNDS

FundRock NZ Limited (the "Manager") and Public Trust (the "Supervisor") are parties to a master trust deed dated 1 December 2016 and a scheme establishment deed dated 20 November 2017 and amended 30 January 2018 and 10 August 2021 (the "Trust Deed") which sets out the terms and conditions applicable to Franklin Templeton Investment Funds (the "Scheme") and funds established by the Manager and the Supervisor within that Scheme.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an Establishment Deed setting out the specific terms and conditions relating to that fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice in New Zealand and present fairly the financial position of the Funds as at 31 March 2025, and of the results of their financial performance and cash flows for the year/period ended on that date in accordance with the requirements of the Trust Deed and fund establishment deeds dated 20 November 2017 (as amended) and 12 December 2024.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders.

For and on behalf of:
FundRock NZ Limited

Hugh Stevens

.....

Director

Hugh Stevens



.....

Director

Jeremy Valentine

This Statement was approved for signing at a meeting of the Directors on 28 July 2025.

FRANKLIN TEMPLETON INVESTMENT FUNDS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

		Income Fund		Equity Fund
		2025	2024	2025
	Note	\$'000	\$'000	\$'000
INCOME				
Interest income calculated using the effective interest method	4	528	668	-
Interest income from investments at fair value through profit or loss	4	11,752	11,436	-
Net changes in fair value of financial instruments at fair value through profit or loss		(10,667)	(10,082)	(383)
Net foreign exchange gains		189	691	-
Other income		<u>1</u>	<u>1</u>	<u>-</u>
TOTAL INCOME/(LOSS)		1,803	2,714	(383)
EXPENSES				
Interest expense		18	10	-
Management fees	14	1,644	1,547	5
Other expenses		<u>12</u>	<u>4</u>	<u>-</u>
TOTAL EXPENSES		1,674	1,561	5
NET PROFIT/(LOSS)		<u>129</u>	<u>1,153</u>	<u>(388)</u>
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u><u>129</u></u>	<u><u>1,153</u></u>	<u><u>(388)</u></u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

FRANKLIN TEMPLETON INVESTMENT FUNDS

STATEMENTS OF CHANGES IN FUNDS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

	Note	Income Fund		Equity Fund
		2025 \$'000	2024 \$'000	2025 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR/PERIOD		200,386	228,824	-
Total comprehensive income/(loss)		129	1,153	(388)
Subscriptions from Unitholders		75,376	47,185	36,010
Redemptions by Unitholders		(21,247)	(67,179)	-
Distributions to Unitholders		<u>(9,445)</u>	<u>(9,597)</u>	<u>-</u>
		44,684	(29,591)	36,010
UNITHOLDERS' FUNDS AT THE END OF THE YEAR/PERIOD	10b	<u>245,199</u>	<u>200,386</u>	<u>35,622</u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

FRANKLIN TEMPLETON INVESTMENT FUNDS

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2025

		Income Fund		Equity Fund
		As at	As at	As at
		31 March 2025	31 March 2024	31 March 2025
	Note	\$'000	\$'000	\$'000
ASSETS				
Cash and cash equivalents		9,870	19,930	20
Receivables	6	265	891	220
Financial assets at fair value through profit or loss				
Investment securities		233,318	188,476	35,387
Derivatives	5	4,882	841	-
Margin accounts		71	1,110	-
TOTAL ASSETS		248,406	211,248	35,627
LIABILITIES				
Payables	7	1,585	392	5
Financial liabilities at fair value through profit or loss				
Derivatives	5	1,622	10,470	-
TOTAL LIABILITIES		3,207	10,862	5
UNITHOLDERS' FUNDS				
		245,199	200,386	35,622
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS				
		248,406	211,248	35,627

For and on behalf of the Manager, FundRock NZ Limited, who authorised the issue of the financial statements on 28 July 2025.

Hugh Stevens



Director Hugh Stevens

Director Jeremy Valentine

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

FRANKLIN TEMPLETON INVESTMENT FUNDS

STATEMENTS OF CASH FLOWS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

		Income Fund		Equity Fund
		2025	2024	2025
	Note	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest		12,193	12,783	-
Realisation of investments		371,289	202,262	-
Net settlement in margin accounts		1,039	(343)	-
Other income		1	1	-
Operating expenses		(1,724)	(1,450)	-
Interest expense		(18)	(10)	-
Purchase of investments		(412,327)	(157,925)	(35,770)
Net settlement of derivatives		<u>(25,616)</u>	<u>(10,526)</u>	<u>-</u>
Net cash (outflow)/inflow from operating activities	11	(55,163)	44,792	(35,770)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscriptions from Unitholders		75,948	46,487	35,790
Redemptions by Unitholders		(21,179)	(67,064)	-
Distributions to Unitholders		<u>(9,445)</u>	<u>(14,687)</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities		45,324	(35,264)	35,790
Net (decrease)/increase in cash and cash equivalents		(9,839)	9,528	20
Cash and cash equivalents at beginning of the year/period		19,930	10,119	-
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(221)</u>	<u>283</u>	<u>-</u>
Cash and cash equivalents at end of the year/period		<u>9,870</u>	<u>19,930</u>	<u>20</u>
Cash and cash equivalents comprise of:				
Cash and cash equivalents		<u>9,870</u>	<u>19,930</u>	<u>20</u>
Cash and cash equivalents at the end of the year/period		<u>9,870</u>	<u>19,930</u>	<u>20</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

1. GENERAL INFORMATION

The Scheme consists of two for-profit managed investment funds (the "Funds") domiciled in New Zealand and established under the Financial Markets Conduct Act 2013 ("FMC Act"). The financial statements for the Funds have been prepared in accordance with the Trust Deed.

The Brandywine Global Opportunistic Fixed Income Fund ("Income Fund") was established under a Trust Deed dated 1 December 2016, a scheme and fund establishment deed each dated 20 November 2017, then amended 30 January 2018 and 10 August 2021 and commenced operations on 27 March 2018. On 1 October 2021, the Fund changed its name from Legg Mason Brandywine Global Opportunistic Fixed Income Fund to Brandywine Global Opportunistic Fixed Income Fund.

The Brandywine Global Opportunistic Equity Fund ("Equity Fund") was established under a Trust Deed dated 1 December 2016, a scheme establishment deed dated 10 August 2021, a fund establishment deed dated 12 December 2024 and commenced operations on 24 March 2025.

The profile of Income Fund is as below:

The Income Fund invests in an actively managed portfolio of sovereign bonds, investment grade corporate bonds, mortgage securities, currencies and other similar securities. The Fund can also invest in emerging market debt, high yield debt, and below investment grade non-sovereign and corporate debt.

The Income Fund may use derivatives to obtain or reduce exposure to securities, markets and currencies (including taking short positions in individual currencies). Derivatives may also be used to manage cash flows or to facilitate timely exposure to securities. The use of derivatives may result in the Fund being leveraged, for example if this was not backed by cash, cash equivalents, or securities.

The investment objective of the Income Fund is to provide a return, before fees and taxes, in excess of the Bloomberg Global Aggregate Index - New Zealand dollar hedged over rolling five year periods.

The profile of Equity Fund is as below:

The Equity Fund invests substantially all its assets in the New Zealand dollar share class of the FTGF Brandywine Global Opportunistic Equity Fund, which is a sub-fund of Franklin Templeton Global Funds Plc (an Irish domiciled UCITS fund) ('Underlying Fund').

The investment objective of the Equity Fund is to earn a return before fees and taxes in excess of the MSCI All Country World Index NR, in New Zealand dollar terms, over the medium to long term.

2. BASIS OF PREPARATION

Reporting Period

The financial statements for Income Fund have been prepared for the year ended 31 March 2025, the financial statements for Equity Fund have been prepared for the period 24 March 2025 to 31 March 2025. The comparative period for Income Fund is for the year ended 31 March 2024 and there is no comparative period for Equity Fund.

Statement of Compliance

The financial statements have been prepared in accordance with the Trust Deed and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

2. BASIS OF PREPARATION (Continued)

Measurement Base

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Funds' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars ("NZ\$") and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

FundRock NZ Limited ("FundRock") is the Manager of the Scheme and Fund(s). The Manager enters into fund hosting arrangements with various investment managers. The arrangements involve the issuing and managing of funds, under the Manager's Managed Investment Scheme licence, on behalf of the investment manager who want to provide investors with access to their investment solutions. The Manager contracts with other service providers to provide the services required to be provided directly to the funds. This includes investment management, supervision, fund administration and audit services.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

New and amended standards adopted by the Funds

Amendment to Financial Reporting Standard 44: New Zealand Additional Disclosures ("FRS-44"). These amendments shall be applied for annual periods beginning on or after 1 January 2024, and have been adopted in these financial statements for 31 March 2025. FRS-44 primarily introduces the following:

An entity shall disclose the fees incurred for services received from each audit or review firm, separately for:

- the audit or review of the financial statements;
- a Tier 2 entity under NZ IFRS RDR shall disclose the total fees incurred for services other than the audit or review of the financial statements provided by the entity's audit or review firm, and a general description of these services.

Other than above, all policies have been applied on a basis consistent with those used in the prior period.

New standards, amendments and interpretations not yet adopted

NZ IFRS 18 - Presentation and Disclosure in Financial Statements:

In May 2024, the XRB introduced NZ IFRS 18 Presentation and Disclosure in Financial Statements ("NZ IFRS 18") (effective for annual reporting periods beginning on or after 1 January 2027). This standard replaces NZ IAS 1 Presentation of Financial Statements ("NZ IAS 1") and primarily introduces a defined structure for the statement of comprehensive income, disclosure of management-defined performance measures (a subset of non-GAAP measures) in a single note together with reconciliation requirements and additional guidance on aggregation and disaggregation principles in the financial statements. NZ IFRS 18 will be applicable to the Funds' financial statements to the extent that it is not superseded by NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans. The Scheme has not early adopted NZ IFRS 18 and is yet to assess its impacts.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2024, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

Climate Related Disclosures

The Manager is a Climate Reporting Entity pursuant to the provisions of the Financial Markets Conduct Act 2013 ("FMC Act"), as modified by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. Climate-related disclosures for the Funds were prepared in accordance with Aotearoa New Zealand Climate Standards issued by External Reporting Board and are available at the Climate-Related Disclosures Register.

The impacts of climate change have a high degree of uncertainty associated with them. FundRock and the Investment Manager have used and will continue to use scenario analysis and climate-related metrics (such as carbon emissions) to identify, assess, and monitor climate-related risks and opportunities for the Funds. FundRock has not attempted to quantify the impacts (or expected impacts) of said risks and opportunities because this poses substantial technical challenges; nonetheless, FundRock understands that expected impacts may be significant.

For more details on climate-related risks and opportunities for the Funds and how FundRock manages them, please refer to the Climate-Related Statements which will be available on the Climate-Related Disclosures Register.

Investment Entity

The Funds have multiple investors and holds multiple investments.

The Funds meet the definition of an investment entity per *NZ IFRS 10: Consolidated Financial Statements* as the following criteria are met:

- The Funds have obtained funds for the purpose of providing investors with investment management services.
- The Funds' business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the unit trust investments.
- The performance of its investments is measured and evaluated on a fair value basis.

The Funds are considered to meet the definition of an investment entity, hence, it qualifies as an investment entity.

Foreign Currency Translation

Functional and presentation currency

The Manager considers the New Zealand dollar the currency to most accurately represent the economic effect of the underlying transactions, events and conditions, therefore it is the Funds' functional currency. The New Zealand dollar is the currency in which the Funds measure and present their performance and report their results, as well as the currency in which they receive subscriptions from Unitholders.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statements of Financial Position date.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the Statements of Profit or Loss and Other Comprehensive Income within 'Net changes in fair value of financial instruments at fair value through profit or loss'.

Foreign exchange gains and losses arising from translation are included in profit or loss in the Statements of Profit or Loss and Other Comprehensive Income.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Income Recognition

Interest

Interest income from financial assets at amortised cost is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income from financial assets at fair value through profit or loss is recognised from changes in fair value through profit or loss.

Changes in fair value of investments

Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest and distribution income.

Dividends and distributions

Dividend and distribution income is recognised on the date that the Funds' right to receive payment is established, it is probable that the economic benefits associated with the dividends and distributions will flow to the Funds, and the amounts for these can be measured reliably.

Changes in fair value of investments

Net gains or losses on investments at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest, dividends and distributions income.

Financial Instruments

Classification - financial assets and financial liabilities

(a) Financial Assets

The Funds classify their financial instruments based on both the Funds' business model for managing those financial assets and contractual cash flow characteristic of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. Derivative financial assets that have a positive fair value are presented as assets at fair value through profit or loss. Consequently, all investments are measured at fair value through profit or loss.

(b) Financial Liabilities

The Funds hold derivative financial instruments. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

The Funds' policy requires the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****Financial Instruments (Continued)***Recognition, Derecognition and Measurement*

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Funds commit to purchase or sell the investments. Financial instruments at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the Statements of Profit or Loss and Other Comprehensive Income within 'net changes in fair value of financial instruments at fair value through profit or loss' in the period in which they arise.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Funds is the last traded price where the last traded prices fall within the bid-ask spread. In circumstances where the last sale price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value. Therefore, there are no accounting estimates or assumptions required in the valuations of the carrying amount of these assets. The fair value of fixed interest securities is the last sale price which is the mid-price of binding dealer bid and ask price quotations.

The fair value of units held by the Funds in managed investment funds is determined by reference to the latest net asset value ("NAV") unit prices at the close of business on the reporting date established by the underlying investment fund manager.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Funds or the counterparty.

Financial Assets and Financial Liabilities at Amortised Cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash balances and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses. The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Financial Assets and Financial Liabilities at Amortised Cost (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank, deposits held at call with banks and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown as current liabilities in the Statements of Financial Position.

(ii) Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Amounts are generally received within 30 days of being recorded as receivables. Given the short-term nature of most receivables, the carrying amount approximates their fair value.

(iii) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Funds, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within thirty days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates fair value.

Impairment of Financial Assets Carried at Amortised cost

The Funds hold receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under *NZ IFRS 9: Financial Instruments* to all its receivables. Therefore, the Funds do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at the reporting date.

With the short time period and the simplistic nature of the financial assets, accrued interest and dividends and receivables from the sale of investments are measured at amortised cost, the Funds do not anticipate any expected credit losses for these assets.

Expenses

All expenses are recognised on an accrual basis.

Taxation

Income taxation

Each Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007.

Tax treatment applicable to a PIE:

Under current taxation law the Funds pay no income tax on the taxable income of the Funds and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Funds are responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ('PIR'), capped at a maximum of 28%, and pay the tax to the taxation authorities on behalf of the investor. PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the Inland Revenue on behalf of the investors based on the investors' current period's income and their PIR.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The Funds calculate and deduct tax based on each investor's PIR and pays the tax to the Inland Revenue on behalf of the investor. The PIE tax liabilities, at the end of the year, are due for payment on the last day of the next month.

Goods and services tax ("GST")

The Funds are not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Redeemable Units and Unitholders' Interests

Ownership interests in the Funds are in the form of redeemable units in accordance with *NZ IAS 32: Financial Instruments: Presentation* and which are exposed to variable returns from changes in the fair value of the Funds' net assets. Units issued by the Funds provide the Unitholders the right to request redemption for cash at the value proportionate to the Unitholder's share in the Funds' net asset value. The Unitholders' Funds meet the definition of a "puttable instrument" in accordance with *NZ IAS 32: Financial Instruments: Presentation* and are classified as equity.

The redeemable units can be put back to the Funds at any time for cash equal to a proportionate share of the Funds' net assets value if the Unitholders exercise their right to relinquish the units. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 10.

Distributions to Unitholders

Distributions may be made from the Funds in accordance with the terms of the Trust Deed, the Establishment Deed and the relevant Funds' distribution policy. Amounts that are not distributed remain invested as part of the assets of the Funds. Proposed distributions to unitholders are recognised in the Statements of Changes in Funds Attributable to Unitholders when they are appropriately authorised and no longer at the discretion of the Fund Manager.

Unitholders have the choice to automatically reinvest their distributions. The reinvestment is made on the first available ex distribution net asset value price for the Funds.

Margin Accounts and Cash Collaterals

Margin accounts and cash collateral comprise futures margin accounts and amount due from or due to financial institutions.

Margin accounts comprise cash held as collateral for securities' transactions. The cash is held by the broker and is only available to meet margin calls. Amounts due from financial institutions includes the cash collateral lent by the Funds that is identified in the Statements of Financial Position as margin cash.

Margin accounts are not included as a component of cash and cash equivalents.

Presentation of Cash Flows

For the purposes of the Statements of Cash Flows, proceeds from the sale and purchase of investments designated at fair value through profit or loss and proceeds from realisation of derivatives are operating activities. The sale and purchase of investments maintain the operating capability of the Funds even though the investments may not be acquired specifically for resale or trading.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Assumptions

Fair value of investments

The investments of the Funds have been valued at closing last traded price. For the fixed interest securities the last traded price is the mid-price of binding dealer bid and ask price quotations, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets. Where an investment is unlisted the value is based on the relevant redemption price established by underlying investment managers.

Fair value of derivative financial instruments

The Funds may, from time to time, hold financial instruments that are not quoted in an active market, such as over-the-counter derivatives.

The Funds' derivative financial instruments are classified as held for trading. Fair values of such instruments are determined by using valuation techniques that are primarily based on inputs derived or corroborated by observable market data. Forward foreign exchange contracts are marked to market at the currency forward exchange rate at the valuation date for contracts with similar maturity and risk profiles.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

4. INTEREST INCOME

	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Cash at bank	528	668	-
Financial assets at fair value through profit or loss	<u>11,752</u>	<u>11,436</u>	<u>-</u>
	<u>12,280</u>	<u>12,104</u>	<u>-</u>

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Funds hold the following derivative financial instruments:

(a) Forward foreign exchange contracts ("FFX")

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on net basis.

(b) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Assets			
<i>Held for Trading:</i>			
Forward foreign exchange contracts	4,882	573	-
Futures	<u>-</u>	<u>268</u>	<u>-</u>
	<u>4,882</u>	<u>841</u>	<u>-</u>
Liabilities			
<i>Held for Trading:</i>			
Forward foreign exchange contracts	<u>1,622</u>	<u>10,470</u>	<u>-</u>
	<u>1,622</u>	<u>10,470</u>	<u>-</u>

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

6. RECEIVABLES

	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Interest receivable	139	193	-
PIE tax recoverable from Inland Revenue	9	-	-
Outstanding subscriptions from Unitholders	117	698	220
	<u>265</u>	<u>891</u>	<u>220</u>

7. PAYABLES

	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Outstanding redemptions by Unitholders	183	115	-
Payables from purchase of investments	1,193	-	-
Management fees payable	209	277	5
	<u>1,585</u>	<u>392</u>	<u>5</u>

8. AUDIT FEE

PricewaterhouseCoopers fees for the audit of the financial statements for Income Fund for the year ended 31 March 2025 amount to \$33,704 (31 March 2024: \$32,099) excluding GST. Fees for Equity Fund for the period ended 31 March 2025 amount to \$19,000 excluding GST.

9. NON-CASH TRANSACTIONS

During the year, the Funds had no in-specie transaction from outside of the Funds or non-cash transactions.

10. UNITHOLDERS' FUNDS

10a. Units on issue

	Income Fund		Equity Fund
	2025	2024	2025
	'000	'000	'000
Units on issue at the beginning of the year/period	231,650	254,486	-
Subscriptions from Unitholders	88,441	53,945	36,021
Redemptions by Unitholders	(24,918)	(76,781)	-
Units on issue at the end of the year/period	<u>295,173</u>	<u>231,650</u>	<u>36,021</u>

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

10. UNITHOLDERS' FUNDS (Continued)

10b. Units in dollar value	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Unitholders' Funds at the end of the year/period	<u>245,199</u>	<u>200,386</u>	<u>35,622</u>
Unit price NAV at the end of the year/period	<u>245,258</u>	<u>200,285</u>	<u>35,383</u>

The unit price NAV is calculated using last sale price and the latest available prices as at the close of business on the last business day of the reporting period. The NAV per the Statements of Financial Position is also based on last sale price as at the last business day of the reporting period. Therefore, the difference in the NAV between the unit price and the financial statements is due to price valuation and timing, if any.

Redeemable Units and Capital Management

The Funds issue redeemable units. The net asset value of the units is shown in the Statements of Financial Position as Unitholders' Funds. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Funds' net asset value, which the Unitholder selected on the redemption date.

The relevant movements are shown on the Statements of Changes in Funds Attributable to Unitholders. The Funds endeavour to invest the contributions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

Each unit in the Funds ranks equally and provides Unitholders with a beneficial interest of the Funds. Unitholders have various rights under the Trust Deed of the Funds, including the rights to:

- Have their units redeemed
- Receive the Unitholders' funds of the Fund upon termination of the Fund; and
- Receive distributions distributed by the Fund

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

11. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Income Fund		Equity Fund
	2025	2024	2025
	\$'000	\$'000	\$'000
Net profit	129	1,153	(388)
<i>Adjustments for:</i>			
Payments for the purchase of investments	(412,327)	(157,925)	(35,770)
Proceeds from the sale of investments	371,289	202,262	-
Net changes in fair value of financial instruments at fair value through profit or loss	10,667	10,082	383
Foreign exchange (gains)/losses	(189)	(691)	-
Increase in receivables	54	(147)	-
Increase in payables	(68)	101	5
Movement in margin accounts	1,039	(343)	-
Movement in accrued interest and take-on interest receivable	(141)	826	-
Net settlement of derivatives	<u>(25,616)</u>	<u>(10,526)</u>	<u>-</u>
Net cash (outflow) from operating activities	<u>(55,163)</u>	<u>44,792</u>	<u>(35,770)</u>

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

12. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Income Fund									
	2025					2024				
	Financial assets at fair value through profit or loss \$'000	Financial liabilities at fair value through profit or loss \$'000	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000	Financial assets at fair value through profit or loss \$'000	Financial liabilities at fair value through profit or loss \$'000	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Assets										
Cash and cash equivalents	-	-	9,870	-	9,870	-	-	19,930	-	19,930
Receivables	-	-	265	-	265	-	-	891	-	891
Investment securities	233,318	-	-	-	233,318	188,476	-	-	-	188,476
Derivative assets	4,882	-	-	-	4,882	841	-	-	-	841
Margin accounts	-	-	71	-	71	-	-	1,110	-	1,110
Total Assets	238,200	-	10,206	-	248,406	189,317	-	21,931	-	211,248
Liabilities										
Derivative liabilities	-	1,622	-	-	1,622	-	10,470	-	-	10,470
Payables	-	-	-	1,585	1,585	-	-	-	392	392
Total Liabilities	-	1,622	-	1,585	3,207	-	10,470	-	392	10,862

	Equity Fund				
	2025				
	Financial assets at fair value through profit or loss \$'000	Financial liabilities at fair value through profit or loss \$'000	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Assets					
Cash and cash equivalents	-	-	20	-	20
Receivables	-	-	220	-	220
Investment securities	35,387	-	-	-	35,387
Total Assets	35,387	-	240	-	35,627
Liabilities					
Payables	-	-	-	5	5
Total Liabilities	-	-	-	5	5

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

13. MATURITY ANALYSIS

The tables below show an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Income Fund							
	2025				2024			
	Within 12 months	Over 12 months	Maturity not specified	Total	Within 12 months	Over 12 months	Maturity not specified	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash and cash equivalents	9,870	-	-	9,870	19,930	-	-	19,930
Receivables	265	-	-	265	891	-	-	891
Investment securities	1,701	231,617	-	233,318	7,507	180,969	-	188,476
Derivatives	4,882	-	-	4,882	841	-	-	841
Margin accounts	71	-	-	71	1,110	-	-	1,110
Total Assets	16,789	231,617	-	248,406	30,279	180,969	-	211,248
Liabilities								
Payables	1,585	-	-	1,585	392	-	-	392
Derivatives	1,622	-	-	1,622	10,470	-	-	10,470
Total Liabilities	3,207	-	-	3,207	10,862	-	-	10,862

	Equity Fund			
	2025			
	Within 12 months	Over 12 months	Maturity not specified	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	20	-	-	20
Receivables	220	-	-	220
Investment securities	-	-	35,387	35,387
Total Assets	240	-	35,387	35,627
Liabilities				
Payables	5	-	-	5
Total Liabilities	5	-	-	5

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025**14. RELATED PARTY TRANSACTIONS**

A party is related to the Funds if:

- (i) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with the Funds;
- (ii) it has an interest in or relationship with the Funds that gives it significant influence over the Funds;
- (iii) the Funds have an interest in or relationship with the party that gives significant influence over the party; or
- (iv) they are a member of the key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity. This includes the Board and members of senior leadership team of; the Manager, Investment Manager, and the Supervisor.

The following are considered to be related parties of the Funds: FundRock NZ Limited (Manager of the Funds), Franklin Templeton Australia Limited (Investment Manager of the Funds), Public Trust (supervisor of the Funds), Apex Investment Administration (NZ) Limited (registry provider for the Funds and shares the same parent company as the Manager).

Management Fees

As outlined in the Funds' Product Disclosure Statement ("PDS"), the Funds incur management fees which for the Income Fund are 0.76% (31 March 2024: 0.76%) of the net asset value including GST and for the Equity Fund are 0.93% of the net asset value including GST. The Fixed Annual Fund Charges include any fees within underlying funds or securities that the Funds may invest into, as well as fees paid to the Investment Manager, the Supervisor, the Auditor, the Custodian and the Administration Manager, bank charges and other various costs and expenses incurred. Where there is a shortfall, the Manager will pay the shortfall on behalf of the Funds and will recover the shortfall from the Investment Manager.

The Supervisor of the Funds is Public Trust. For the year ended 31 March 2025 total Supervisor fees charged to the Income Fund amounted to \$28,719 (31 March 2024: \$28,438) and Equity Fund amounted to \$80.

The registry provider for the Funds is Apex Investment Administration (NZ) Limited. For the year ended 31 March 2025 total registry fees charged to the Income Fund amounted to \$75,795 (31 March 2024: \$10,918) and Equity Fund amounted to \$462.

Related Parties Holdings in the Funds

Aurora KiwiSaver Scheme (a Scheme managed by the Manager) invested in the Brandywine Global Opportunistic Equity Fund, holding 36,021,498 units of the Fund and valuing at \$35,603,649 as at 31 March 2025 (31 March 2024: nil), the Funds did not hold investments in any funds that were managed by the Manager (31 March 2024: nil).

	Income Fund							
	2025		2024					
	Units	Value	Units acquired during the year	Units disposed of during the year	Units	Value	Units acquired during the year	Units disposed of during the year
	'000	\$'000	'000	'000	'000	\$'000	'000	'000
Directors and Key Management Personnel of Manager	-	-	1	30	30	26	4	(1)

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025**14. RELATED PARTY TRANSACTIONS (Continued)****Holdings in Related Parties**

The Brandywine Global Opportunistic Equity Fund invests into units of the FTGF Brandywine Global Opportunistic Equity Fund, the fund is managed by Franklin Templeton Australia Limited, a related party of the Funds.

The details of the holdings at 31 March 2025, movements and income received during the year are as follows:

	Equity Fund
FTGF Brandywine Global Opportunistic Equity Fund	2025
	\$'000
Opening value	-
Purchase of investments	35,770
Sale of investments	-
Change in fair value	(383)
Closing value	<u>35,387</u>

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT

Strategy in Using Financial Instruments

The Funds' activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Funds' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Funds' financial performance. The Funds may use derivatives to obtain or reduce exposure to securities, markets and currencies (including taking short positions in individual currencies). Derivatives may also be used to manage cash flows or to facilitate timely exposure to securities. The use of derivatives may result in the Funds being leveraged, for example if this was not backed by cash, cash equivalents, or securities.

15a. Market Price Risk

Market price risk is the risk that the Funds' income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices.

The Funds' overall market positions are monitored on a daily basis by the Investment Manager.

The Funds manage its exposure to market risk by analysing the investments by industrial sector. At 31 March 2025 the Funds' overall industry concentration exposures were as follows:

Sector	Income Fund				Equity Fund	
	2025		2024		2025	
	Fair value	Percentage of investments	Fair value	Percentage of investments	Fair value	Percentage of investments
	\$	%	\$	%	\$	%
Unlisted unit trust investments	-	-	-	-	35,387	100.00
Government	106,715	45.74	128,508	68.18	-	-
Corporate						
<i>Financial Institutions</i>						
Banking	7,762	3.33	4,095	2.17	-	-
Finance companies	10,507	4.50	7,758	4.12	-	-
<i>Industrial</i>	29,841	12.79	-	-	-	-
<i>Securitised</i>						
Residential mortgage	78,493	33.64	48,114	25.53	-	-
Total	233,318	100.00	188,475	100.00	35,387	100.00

The tables below show the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2025 the analysis is based on the assumptions that the market price movement increased or decreased by 10%. The Manager believes the 10% market price movement assumption to be management's best estimate of reasonable possible change in current market condition.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15a. Market Price Risk (Continued)

	Income Fund				Equity Fund	
	2025		2024		2025	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity and unlisted unit trust investments	23,332	(23,332)	18,848	(18,848)	3,539	(3,539)

FundRock considers that the market prices of the investments factor in climate change impacts and, as such, no adjustment has been made to balances or transactions in these financial statements as a result of climate change.

15b. Currency Risk

Currency risk is the risk that the value of the financial instruments or foreign cash will fluctuate due to changes in foreign exchange rates.

The Funds hold financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at period end. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

The Funds enter into forward exchange contracts designed to economically hedge the currency exposure of the underlying investments. The foreign exchange contracts are held to mitigate the currency exposure by aiming to be fully hedged to the New Zealand dollars. The Investment Manager has a limited discretion to take some currency risk within the overall risk constraint of the portfolio. Accordingly at any point in time currency risk is limited to the currency market movement on the unhedged portion of the portfolio, typically recent gains and losses that have not been hedged.

A minimum of 75% of the portfolio must be denominated in and/or hedged into New Zealand dollars.

The table below summarises the Funds' exposure to foreign currency risk in New Zealand dollar ("NZD") value of the monetary assets and liabilities. *NZ IFRS 7: Financial Instruments: Disclosures* considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk and not foreign currency risk.

	Income Fund													
	2025							2024						
	AUD	CAD	EUR	GBP	JPY	USD	Other	AUD	CAD	EUR	GBP	JPY	USD	Other
Monetary assets and liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	1	-	-	5,045	43	-	-	-	-	-	14,473	229
Margin accounts	-	-	-	-	-	71	-	-	-	-	-	-	1,110	-
Receivables/(Payables)	-	-	-	-	-	(1,182)	111	-	-	-	-	-	74	96
Interest bearing securities	-	-	-	31,022	-	145,397	56,899	-	-	-	9,719	-	119,920	54,019
Derivatives excluding FFX	-	-	-	-	-	-	-	-	-	-	191	-	77	-
Total	-	-	1	31,022	-	149,331	57,053	-	-	-	9,910	-	135,654	54,344
Forward foreign exchange contracts														
Notional value	-	20,022	19,836	(30,448)	19,742	(216,294)	(51,440)	11,452	(5,288)	(25,260)	(9,884)	9,566	(176,200)	(3,191)

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15b. Currency Risk (Continued)

The tables below show the sensitivity analysis in NZD currency with all other variables remaining constant, where the Funds have significant exposure. The analysis is based on the assumption that the relevant foreign exchange rate increase/decrease by the percentage disclosed in the tables below. The analysis shows the impact of a reasonably possible change in the New Zealand dollar to foreign currency exchange rates.

	Income Fund							
	2025				2024			
	Monetary assets and liabilities				Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund		Profit or loss		Unitholders' Fund	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AUD	-	-	-	-	(1,147)	1,147	(1,147)	1,147
CAD	(1,820)	2,225	(1,820)	2,225	529	(529)	529	(529)
EUR	(1,803)	2,204	(1,803)	2,204	2,529	(2,529)	2,529	(2,529)
GBP	(52)	64	(52)	64	(2)	2	(2)	2
JPY	(1,795)	2,194	(1,795)	2,194	(968)	968	(968)	968
USD	6,080	(7,431)	6,080	(7,431)	4,054	(4,054)	4,054	(4,054)
Other	(510)	624	(510)	624	(5,109)	5,109	(5,109)	5,109

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds hold investments in international fixed interest securities and so is exposed to risks arising from the fluctuations in the prevailing levels of market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidance for the Fund as agreed with the Manager.

In accordance with the Funds' policy, the Investment Manager monitors and the Manager reviews the Funds' overall interest sensitivity on a regular basis.

The following tables analyse the Funds' interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	Income Fund											
	2025						2024					
	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Financial assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9,870	-	-	-	-	9,870	19,930	-	-	-	-	19,930
Interest-bearing securities	1,164	537	2,957	22,083	206,577	233,318	-	7,507	14,733	12,604	153,632	188,476
Total financial assets	11,034	537	2,957	22,083	206,577	243,188	19,930	7,507	14,733	12,604	153,632	208,406

The table below show the sensitivity of the Funds' profit or loss and equity to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets held as at 31 March 2025 and 31 March 2024.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets as at 31 March 2025 and 31 March 2024.

	Income Fund							
	2025				2024			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments		Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease	30 basis points increase	30 basis points decrease	30 basis points increase	30 basis points decrease
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	98	(98)	-	-	199	(199)	-	-
Interest bearing securities	12	(12)	(20,847)	24,726	197	(197)	(17,832)	21,734

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Funds to incur a loss.

With respect to credit risk arising from the financial assets of the Funds, the Funds' exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statements of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Funds' cash and cash equivalents balances are held with ANZ (Standard & Poor's ("S&P") credit rating AA-) (31 March 2024: AA-) and BNP Paribas (S&P credit rating A+) (31 March 2024: A+).

At 31 March 2025 substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of A+ (31 March 2024: A+).

As at 31 March 2025 all amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A or higher and are due to be settled within 1 month. Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Funds.

The analysis below summarises the credit quality of the Fund's exposure rated externally by equivalent Standard & Poor's, credit rating agencies.

	Income Fund									
	2025					2024				
	AAA to AA-	A+ to A-	BBB+ to B-	Less than B-	Total	AAA to AA-	A+ to A-	BBB+ to B-	Less than B-	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overseas and local government securities	47,028	14,051	45,637	-	106,716	72,615	2,979	52,914	-	128,508
Other overseas fixed interest securities	69,903	1,629	55,070	-	126,602	52,210	3,688	4,070	-	59,968
Forward foreign exchange contracts	-	4,882	-	-	4,882	-	936	23	-	959
	116,931	20,562	100,707	-	238,200	124,825	7,603	57,007	-	189,435

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15e. Liquidity Risk

Liquidity risk is the risk that the Funds will not be able to meet its financial obligations as they fall due.

The liquidity risk of the Funds is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Funds. The Funds invest predominantly in liquid securities and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Funds were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

All financial liabilities are expected to be settled within 12 months.

The tables below analyse the Funds' financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

Income Fund
2025

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000
Liabilities							
Payables	1,585	1,585	1,585	-	-	-	-
Total	1,585	1,585	1,585	-	-	-	-

Income Fund
2024

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	Between 6-12 months \$'000	Between 6-12 months \$'000	Between 6-12 months \$'000	Over 5 years \$'000
Liabilities							
Payables	392	392	392	-	-	-	-
Total	392	392	392	-	-	-	-

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15e. Liquidity Risk (Continued)

	Equity Fund 2025						
	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities							
Payables	5	5	5	-	-	-	-
Total	5	5	5	-	-	-	-

The tables below analyse the net settled derivative financial assets into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate as at 31 March 2025 and 31 March 2024.

	Income Fund 2025						
	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Derivatives Held for Trading	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
<i>Forward foreign exchange contracts</i>	4,882						
Inflow		329,209	329,209	-	-	-	-
Outflow		(323,450)	(323,450)	-	-	-	-
<i>Futures</i>	-						
Inflow		-	-	-	-	-	-
Liabilities							
<i>Forward foreign exchange contracts</i>	1,622						
Inflow		156,065	156,065	-	-	-	-
Outflow		(157,930)	(157,930)	-	-	-	-

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15e. Liquidity Risk (Continued)

	Statement of Financial Position	Contractual cash flows	Income Fund 2024				
			Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivatives Held for Trading							
Assets							
<i>Forward foreign exchange contracts</i>	573						
Inflow		96,377	96,377	-	-	-	-
Outflow		(95,649)	(95,649)	-	-	-	-
<i>Futures</i>	268						
Inflow		268	268	-	-	-	-
Liabilities							
<i>Forward foreign exchange contracts</i>	10,470						
Inflow		366,858	366,858	-	-	-	-
Outflow		(377,519)	(377,519)	-	-	-	-

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

15. FINANCIAL RISK MANAGEMENT (Continued)

15f. Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

The Funds hold derivative financial instruments:

The following tables present the recognised financial assets and liabilities that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2025 and 31 March 2024.

	Income Fund											
	2025						2024					
	Related amounts not set-off in the statement of financial position						Related amounts not set-off in the statement of financial position					
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets												
Derivatives - FFX Contracts	4,984	(102)	4,882	(4,882)	-	-	959	(386)	573	(573)	-	-
Derivatives - Futures & Options	-	-	-	-	-	-	268	-	268	-	-	268
Total Financial Assets	4,984	(102)	4,882	(4,882)	-	-	1,227	(386)	841	(573)	-	268
Financial Liabilities												
Derivatives - FFX Contracts	1,724	(102)	1,622	(4,882)	-	(3,260)	10,856	(386)	10,470	(573)	(201)	9,696
Total Financial Liabilities	1,724	(102)	1,622	(4,882)	-	(3,260)	10,856	(386)	10,470	(573)	(201)	9,696

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following tables analyse financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value is measured at 31 March 2025 and 31 March 2024.

	Income Fund							
	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment securities								
NZ fixed interest securities	-	-	-	-	-	4,818	-	4,818
International fixed interest securities	-	233,318	-	233,318	-	183,658	-	183,658
Derivatives								
Forward foreign exchange contracts	-	4,882	-	4,882	-	573	-	573
Futures	-	-	-	-	268	-	-	268
	-	238,200	-	238,200	268	189,049	-	189,317
Financial liabilities at fair value through profit or loss								
Derivatives								
Forward foreign exchange contracts	-	1,622	-	1,622	-	10,470	-	10,470
	-	1,622	-	1,622	-	10,470	-	10,470
	Equity Fund							
	2025							
	Level 1	Level 2	Level 3	Total				
Financial assets at fair value through profit or loss	\$'000	\$'000	\$'000	\$'000				
Investment securities								
Unlisted unit trusts	-	35,387	-	35,387				
	-	35,387	-	35,387				

The fair value of exchange-traded futures is based on quoted market prices and are included within level 1.

The fair value of fixed interest securities at reporting date is based on the mid-price of binding dealer price quotations. The government fixed interest securities and corporate fixed interest bonds are included within level 2.

FRANKLIN TEMPLETON INVESTMENT FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR/PERIOD ENDED 31 MARCH 2025

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Funds use widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and is included within level 2.

Due to their short term nature, carrying amounts of cash and cash equivalents, margin accounts, receivables and payables stated in the Statements of Financial Position approximate their fair value.

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the period ended 31 March 2025 (31 March 2024: nil).

17. CONTINGENT LIABILITIES AND COMMITMENTS

The Funds had no material commitments or contingencies at 31 March 2025 (31 March 2024: nil).

18. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events after the reporting date that require adjustments to or disclosures in the financial statements.



Independent auditor's report

To the unitholders of:

- Brandywine Global Opportunistic Fixed Income Fund (period from 1 April 2024 to 31 March 2025)
 - Brandywine Global Opportunistic Equity Fund (period from 24 March 2025 to 31 March 2025)
- (Collectively referred to as the Funds)

Our opinion

In our opinion, the accompanying financial statements of the Funds present fairly, in all material respects, the financial positions of the Funds as at 31 March 2025, their financial performance, and their cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Funds' financial statements comprise:

- the statements of financial position as at 31 March 2025;
- the statements of profit or loss and other comprehensive income for the period then ended;
- the statements of changes in funds attributable to unitholders for the period then ended;
- the statements of cash flows for the period then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Funds in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Subject to certain restrictions, partners and employees of our firm may invest in the Funds on normal terms within the ordinary course of trading activities of the Funds. The firm has no other relationship with, or interests in, FundRock NZ Limited (the Manager) in respect of the Funds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets and financial liabilities at fair value through profit or loss</p> <p>Refer to note 16 to the financial statements for the reported values of financial assets and financial liabilities (financial instruments) at fair value through profit or loss.</p> <p>This was an area of focus for our audit as it represents the majority of the unitholders' funds of the Funds.</p> <p>Valuation</p> <p>The fair value of the financial instruments that are not traded in an active market is determined using valuation techniques. The valuation technique depends on the underlying financial instrument and includes assumptions that are based on market conditions existing at the reporting date.</p> <p>Such financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as Level 2 in the fair value hierarchy.</p> <p>For financial instruments quoted in foreign currencies, these are translated to New Zealand dollars using the exchange rates at the reporting date.</p> <p>Existence</p> <p>Holdings of certain financial instruments at fair value through profit or loss are held by the custodian on behalf of the Funds (the Custodian).</p> <p>For financial instruments at fair value through profit or loss not held by the Custodian, the position is recorded with the counterparty.</p>	<p>We assessed the processes employed by the Manager, for recording and valuing the financial instruments at fair value through profit or loss including the relevant controls operated by a third party service organisation, the Administrator. Our assessment of the processes included obtaining the internal controls report over investment accounting provided by the Administrator.</p> <p>We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the relevant controls operated by the Administrator.</p> <p>For financial instruments that are not traded in an active market and with inputs that are observable either directly or indirectly, we:</p> <ul style="list-style-type: none"> agreed the observable inputs to third party pricing sources and used our PwC valuation experts to evaluate the fair value; or agreed the redemption price at the reporting date, to the confirmation provided by the unlisted unit trusts' administrator. We evaluated the redemption price represents fair value by comparing the redemption price at the reporting date to recent transactions to support the fair value of the unlisted unit trusts and comparing the Net Asset Value per unit calculated based on the latest audited financial statements of the underlying unlisted unit trusts to the published unit price on that date to provide evidence on reliability of unit pricing. <p>We have assessed the reasonableness of the exchange rates used to translate financial instruments quoted in foreign currencies.</p> <p>We obtained confirmation from the Custodian and counterparties of the holdings and positions of the financial instruments at fair value through profit or loss as recognised by the Funds at the reporting date.</p>

Our audit approach

Overview



We determined materiality for each Fund separately. Our materiality for each Fund is calculated based on approximately 1% of unitholders' funds for each Fund.

We chose unitholders' funds as the benchmark because, in our view, the objective of the Funds is to provide unitholders with a total return on the Funds' net assets, taking into account both capital and income returns.

As reported above, we have one key audit matter, being valuation and existence of financial assets and financial liabilities at fair value through profit or loss.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of each Fund as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements of each Fund as a whole.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of each Fund as a whole, taking into account the structure of each Fund, the Funds' investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Funds. The Manager has outsourced investment accounting (Administrator) and registry services (Registrar) to third party service providers.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report and climate-related statements, but does not include the financial statements and our auditor's report thereon, which the annual report will refer to.



Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards and for such internal control as the Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing each Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Manager either intends to liquidate a Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to each Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than each Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Ussher.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
28 July 2025

Wellington