



FRANKLIN TEMPLETON  
INVESTMENTS

# FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2011

## FUND MANAGER AND LOCATION

**Evan McCulloch**, California, United States  
(since 3 April 2000)

## FUND INFORMATION

**Base Currency of Fund:** US dollar  
**Fund Size:** \$158,57 million  
**Number of Positions:** 66  
**Fund Index:** NASDAQ Biotechnology Index  
**Morningstar™ Workstation Category:** Sector Equity Biotechnology  
**Date of Fund Launch:** 3 April 2000

## NET ASSET VALUE AS OF 31 DECEMBER 2011

**A(acc)USD** \$11,19  
**I(acc)USD** \$16,01

## CHARGES AND IDENTIFIERS

Share Class	Max. Initial Sales Charge	Annual Management & Administration Charge
A shares	5,25%	1,50%
I shares	-	0,70%

Share Class	Valoren	ISIN
A(acc)USD	1065508	LU0109394709
I(acc)USD	1922941	LU0195948822

## TOTAL EXPENSE RATIO AS OF DECEMBER 2011

**A(acc)USD** 1,89%  
**I(acc)USD** 0,96%

## EUSD STATUS

**Redemption:** Out of Scope  
**Distribution:** Out of Scope

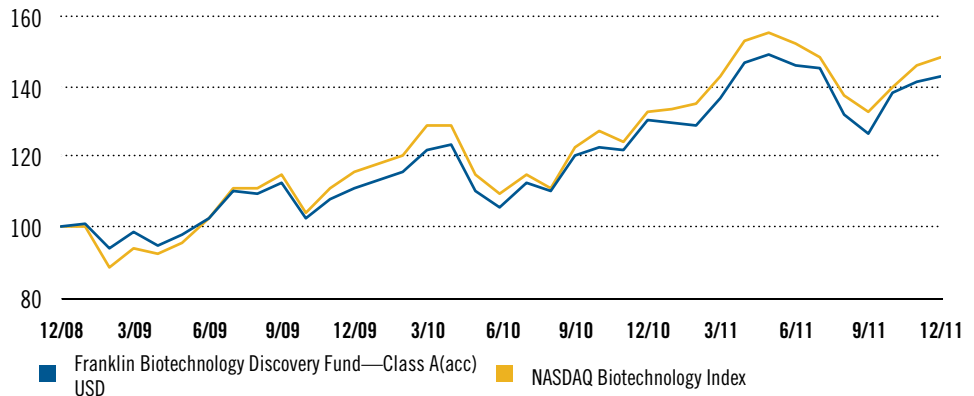
## RATINGS<sup>3</sup>

**Morningstar™ Overall Rating:** ★★★★★

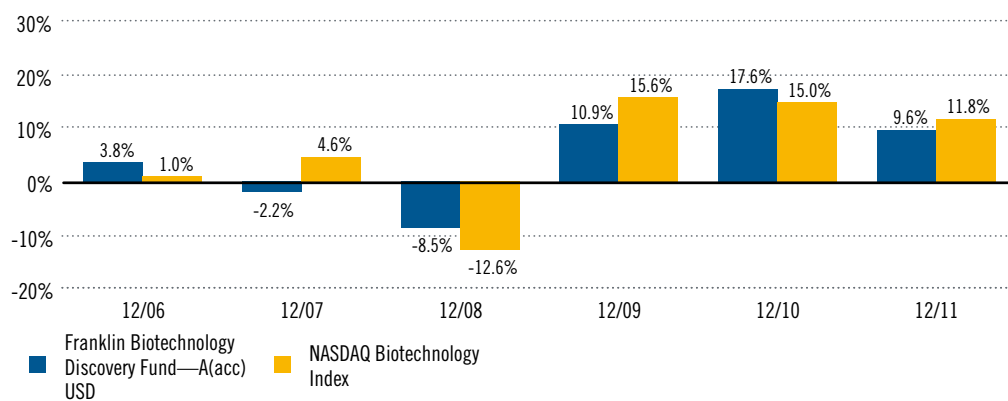
## INVESTMENT OBJECTIVE

The Fund aims to achieve capital appreciation by investing principally in equity securities of biotechnology companies and discovery research firms mainly located in the US.

## 3 YEAR PERFORMANCE (US DOLLAR)<sup>1,2</sup>



## CALENDAR YEAR PERFORMANCE RETURN (US DOLLAR)<sup>1,2</sup>



## CUMULATIVE AND ANNUALISED (\*) PERFORMANCE

	YTD	1-MO	3-MO	6-MO	1-YR	3-YR	*3-YR	5-YR	*5-YR	SINCE LAUNCH	*SINCE LAUNCH
A(acc)USD	9,60	0,99	12,58	-2,19	9,60	42,91	12,65	27,88	5,04	11,90	0,96
I(acc)USD	10,65	1,07	12,83	-1,66	10,65	47,16	13,75	34,32	6,08	60,11	6,63
Index	11,81	2,03	11,87	-2,14	11,81	48,69	14,15	35,86	6,32	0,30	0,03
<b>MORNINGSTAR™ SECTOR AVERAGE<sup>4</sup></b>	-2,34	1,51	8,01	-10,48	-2,34	25,06	-	2,15	-	14,47	-

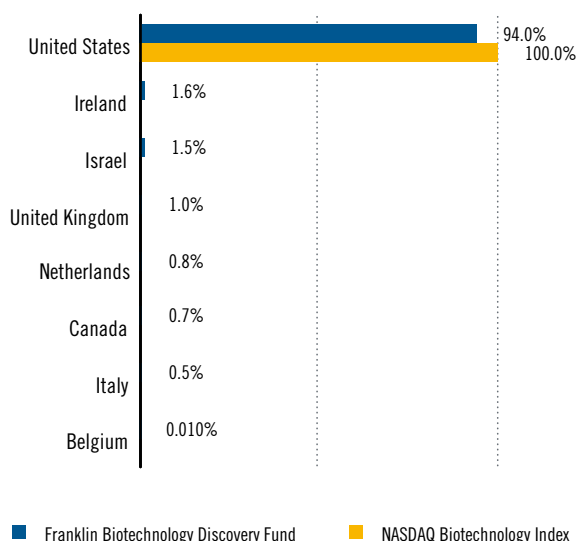
## PORTFOLIO COMPOSITION (% OF TOTAL)

EQUITY	FIXED INCOME	CASH
83,41	-	16,59

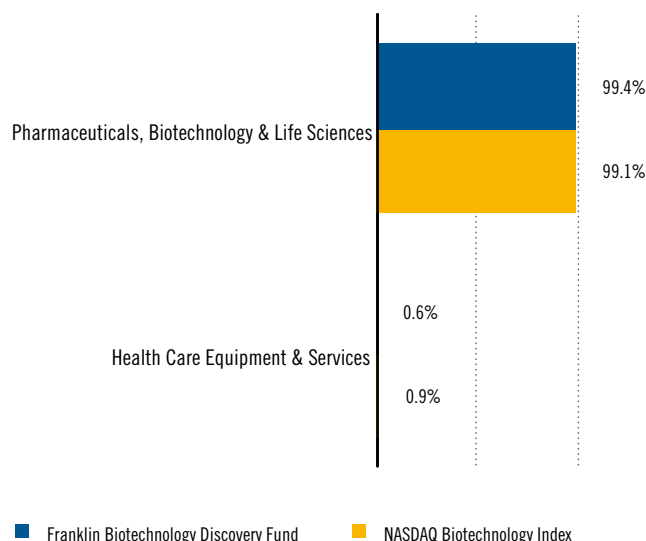
TOP 10 ISSUERS WITHIN THE PORTFOLIO (31 DECEMBER 2011)<sup>5</sup>

SECURITY	INDUSTRY	COUNTRY	%
GILEAD SCIENCES INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	7,57
CELGENE CORP	Pharmaceuticals, Biotechnology & Life Sciences	United States	7,44
AMGEN INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	6,93
BIOGEN IDEC INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	5,56
ALEXION PHARMACEUTICALS INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	4,27
QUESTCOR PHARMACEUTICALS INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	3,35
SALIX PHARMACEUTICALS LTD	Pharmaceuticals, Biotechnology & Life Sciences	United States	3,14
INTERMUNE INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	2,39
AUXILIUM PHARMACEUTICALS INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	2,00
UNITED THERAPEUTICS CORP	Pharmaceuticals, Biotechnology & Life Sciences	United States	1,95

## PORTFOLIO COUNTRY WEIGHTINGS VS. NASDAQ BIOTECHNOLOGY INDEX (% OF EQUITY)



## PORTFOLIO INDUSTRY WEIGHTINGS VS. NASDAQ BIOTECHNOLOGY INDEX (% OF EQUITY)



## PORTFOLIO PERFORMANCE CONTRIBUTOR DATA IN US DOLLAR (31 DECEMBER 2011)

LARGEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
Amgen Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,85
Celgene Corp.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,65
Salix Pharmaceuticals Ltd.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,37
Elan Corp. PLC ADS	Pharmaceuticals, Biotechnology & Life Sciences	Ireland	0,35
Auxilium Pharmaceuticals Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,33
United Therapeutics Corp.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,33
Vertex Pharmaceuticals Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,29
Alexion Pharmaceuticals Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,24
Gilead Sciences Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,23
Affymax Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	0,17

SMALLEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
Warner Chilcott Plc	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,09
Onyx Pharmaceuticals Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,13
Dendreon Corp.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,14
Targacept Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,18
Endocyte Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,26
Biogen Idec Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,30
Questcor Pharmaceuticals Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,32
Inhibitex Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-0,54
InterMune Inc.	Pharmaceuticals, Biotechnology & Life Sciences	United States	-1,05
ZELTIQ Aesthetics Inc.	Health Care Equipment & Services	United States	-0,15

PERFORMANCE STATISTICS (31 DECEMBER 2011)<sup>6</sup>

STANDARD DEVIATION	1-YR	3-YR	5-YR
Franklin Biotechnology Discovery Fund	16,43	17,08	17,70
NASDAQ Biotechnology Index	14,31	18,43	19,24

SHARPE RATIO	1-YR	3-YR	5-YR
Franklin Biotechnology Discovery Fund	0,58	0,73	0,21
NASDAQ Biotechnology Index	0,82	0,76	0,26

% OF POSITIVE MONTHS	1-YR	3-YR	5-YR
Franklin Biotechnology Discovery Fund	50,00	61,11	55,00
NASDAQ Biotechnology Index	66,67	63,89	53,33

GAINS : LOSSES	1-YR	3-YR	5-YR
Franklin Biotechnology Discovery Fund	1,64	1,75	1,30
NASDAQ Biotechnology Index	1,80	1,77	1,34

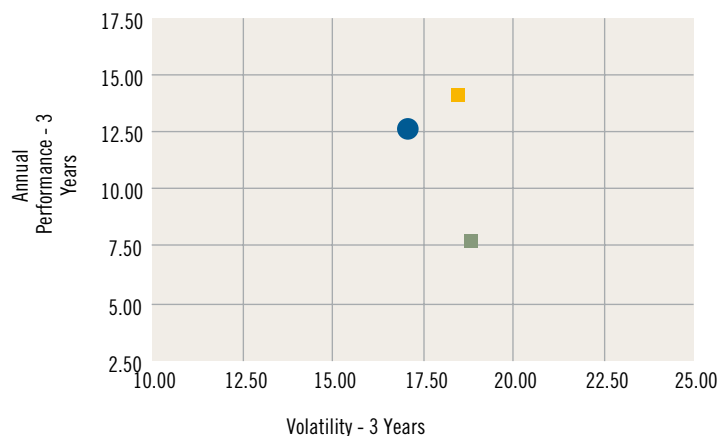
MAXIMUM LOSS	1-YR	3-YR	5-YR
Franklin Biotechnology Discovery Fund	-14,90	-14,90	-22,85
NASDAQ Biotechnology Index	-14,60	-14,97	-29,39

VS. NASDAQ BIOTECHNOLOGY INDEX	1-YR	3-YR	5-YR
Alpha	-2,72	0,06	-0,71
Beta	1,09	0,89	0,88
Tracking Error	5,39	5,21	5,61
Information Ratio	-0,41	-0,29	-0,23
Correlation	0,95	0,96	0,96
R Squared	0,90	0,92	0,92

PORTFOLIO CHARACTERISTICS (31 DECEMBER 2011)<sup>6</sup>

	PORTFOLIO	BENCHMARK
Avg. P/E Ratio	18,22	10,52
Avg. P/BV Ratio	4,34	4,42
Avg. P/CF Ratio	13,97	14,42
Avg. Dividend Yield	0,22%	0,22%
Avg. Market Capitalisation (in millions)	\$14.319	\$14.530
Median Market Capitalisation (in millions)	\$531	\$586

MARKET CAPITALISATION BREAKDOWN	PORTFOLIO
< 1.5 billion	31,4
1.5 billion - 5 billion	21,1
> 5 billion	46,6

RISK VS. RETURN<sup>1,7</sup>

- Franklin Biotechnology Discovery Fund—A(acc)USD
- NASDAQ Biotechnology Index
- Sector Equity Biotechnology

## GLOSSARY

**Alpha:** Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.

**Benchmark:** An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

**Beta:** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

**Correlation:** A measure of the degree to which the price trends of various investment categories or instruments move in the same direction. The correlation quantifies the strength of the relationship as a figure between -1 and +1. The closer the coefficient is to 1, the stronger the correlation. If the coefficient is -1, the investments and the benchmark move in opposite directions. If the value is 0 there is no correlation.

**Dividend Yield:** A Dividend is a payment of cash or stock from a company's earnings to each stockholder as declared by the company's board of directors. A dividend yield is a snapshot of interest and dividend income from a fund. The yield, expressed as a percentage of the fund's net asset value, is based on income earned over the past 30 days and is annualised for the coming year.

**Information ratio:** In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an Investment has beaten the Benchmark to the consistency by which the Investment has beaten the Benchmark.

**Market capitalization:** A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share.

**Price-to-book value (P/BV):** The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds.

**Price/cash flow (P/CF):** Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.

**Price/earnings ratio (P/E):** The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.

**R-squared:** A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 1.00. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

**Sharpe ratio:** A measure of risk-adjusted return. To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

**Standard deviation:** A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.

**Tracking error:** Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

**Volatility:** The degree of fluctuation in the value of a security, mutual fund, or index, volatility is often expressed as a mathematical measure such as a standard deviation or beta. The greater a fund's volatility, the wider the fluctuations between its high and low prices.

## IMPORTANT INFORMATION AND DISCLAIMERS

1. Performance data may represent blended share class performance e.g. hybrid created from an A(dis) share class which was converted to A(acc). Performance figures represent the aggregate total return for the period indicated assuming, where relevant, the reinvestment of dividends and distributions. Performance figures assume reinvestment of dividends. Performance figures above are for A(dis) shares, except where only A(acc) shares are available, then A(acc) performance is shown. S&P sector average represents the Luxembourg universe. The performance data does not take account commissions and/or costs incurred on the issue and redemption of the shares. 2. Chart performance figures are rebased to 100 at the Fund's inception date. 3. Copyright - © 2011 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 31 December 2011, in the Sector Equity Biotechnology Morningstar Category™. 4. Copyright - © 2011 Morningstar, Inc. All Rights Reserved. You will find further information under [www.franklintempleton.ch/morningstar/en](http://www.franklintempleton.ch/morningstar/en). 5. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. 6. Please refer to the Glossary section for more explanations on mathematical measures and financial terms. If you need further explanation, please seek guidance from a Financial Adviser. Due to rounding the percentages shown may be within 0.1% tolerance of the true value. 7. Peer Group Source: © 2011 Standard & Poor's Microcap, Inc. 1-800-596-5323 <http://www.funds-sp.com>. The development of the values shown above originates in the past.

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Paying agent of Franklin Templeton Investment Funds in Switzerland is JPMorgan Chase Bank, Dreikönigstrasse 21, 8022 Zurich.

Subscriptions for shares in the Fund can only be made on the basis of the most recent Key Features and Prospectus which are available free of charge from Franklin Templeton Switzerland Ltd, Bahnhofstrasse 22, P.O. Box, 8022 Zurich, Phone: +41 (0) 44 217 81 81, E-mail: [info@franklintempleton.ch](mailto:info@franklintempleton.ch).

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