

Performance Review

- European equity markets rose in the final quarter of 2020, as vaccine approvals raised hopes that the pandemic would be brought under control over the course of 2021. The near-term economic outlook has been more mixed, however, as more governments reintroduce restrictions to cope with new coronavirus outbreaks. Additionally, the market finally rotated back into value stocks after a prolonged period of outperformance by their growth-oriented counterparts.
- For the quarter, the fund's A (acc) EUR shares returned 13.40%, and its benchmark, the MSCI Europe Index-NR, returned 10.80%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	APPLUS SERVICES S.A.	Industrials (Stock Selection)	United Kingdom (Stock Selection)
	Dassault Aviation SA	Information Technology (Stock Selection)	Switzerland (Stock Selection)
	Befesa SA	Consumer Staples (Stock Selection)	Spain (Overweight)
HURT	Ebro Foods SA	Financials (Underweight)	Belgium (Stock Selection)
	Fagron SA	Utilities (Stock Selection)	Netherlands (Stock Selection)
	Bayer AG	Energy (Stock Selection)	France (Underweight)

- Spain-based testing and inspection firm Applus Services contributed to relative performance, after its most recent earnings report showed a rebound in some of its markets, such as automotive inspections, as global auto production volumes have begun to improve following the spring lockdowns. The company's energy business has remained weak, however, due to low oil prices.
- France-based aerospace and defence company Dassault Aviation contributed to relative returns, as the stock bounced back from prior weakness. Orders accelerated in its defence business and optimism increased that the business jet market would return to normal in both short and long haul over the course of 2021, as vaccines help bring the global pandemic under control.
- In contrast, Spain-based rice and pasta maker Ebro Foods hampered relative returns, as more defensive stocks underperformed during the quarter on optimism about coronavirus vaccinations. Nonetheless, we believe that the company's recent disposal of most of its North American pasta business and an extraordinary dividend are positives. The company has also continued to post strong financial numbers during the pandemic, though this has not been reflected in the stock price, in our view.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Imperial Brands PLC	Industrials (Stock Selection)	United Kingdom (Stock Selection)
	LivaNova PLC	Consumer Staples (Stock Selection)	Spain (Stock Selection)
	Applus Services SA	Health Care (Stock Selection)	France (Stock Selection)
HURT	SBM Offshore NV	Consumer Discretionary (Stock Selection)	Netherlands (Stock Selection)
	Fresenius Medical Care AG & Co. KGaA	Health Care (Stock Selection)	Denmark (Lack of Exposure)
	Red Electrica Corp. SA	Utilities (Stock Selection)	Belgium (Stock Selection)

- UK-based tobacco firm Imperial Brands supported relative performance, as defensive segments of the market had a stronger month on continued concerns about the near-term economic outlook. Despite some performance issues at Imperial Brands this year, we believe new chief executive officer Stefan Bomhard will improve the allocation of resources, which could unlock material long-term shareholder value.
- UK-based LivaNova, a medical technology company, supported relative results, after it announced plans to sell its heart valve business, which had been putting pressure on the company's revenue growth rate in recent years. The deal will refocus LivaNova toward its higher growth cardiovascular and neurostimulation businesses.
- Conversely, SBM Offshore, a Netherlands-based supplier of systems and services to the offshore oil and gas industry, detracted from relative returns. Nonetheless, the company was able to navigate the COVID-19 lockdowns and ensure that projects remain largely on track. Over the longer term, the company's strong market position and high-quality fleet should provide a highly predictable income stream, with additional growth coming from its emerging offshore wind services business. The company's research and development program in offshore wind and wave energy could result in meaningful value creation if these efforts prove successful.

Outlook & Strategy

- We have a favourable view on selective areas of the European equity market for 2021. For instance, we believe companies involved in ESG (environmental, social and governance) change may hold significant long-term opportunities for investment. While we have seen so-called pure-play renewable and health and wellness companies rise sharply, investors have overlooked many good businesses with strong ESG credentials, that may not be described as pure plays. We also see opportunities in the small-cap space as more companies become ESG compliant.

- Furthermore, over the coming years the European Union (EU) will dispense recovery funds designated for infrastructure, clean energy and construction to help accelerate Europe's recovery from the virus. The EU is likely to do so in a way that brings Europe closer to its climate change goals and closer as a union.
- Brexit may also be creating one of the best EU investment opportunities in a long time, in our view. Brexit had been increasing uncertainty about the economic implications for the United Kingdom, the impact on the EU and what happens after a member state leaves the union. Although Brexit will escalate costs in the UK economy and constrain UK growth, we believe there are excellent investment opportunities in businesses with limited exposure to Brexit costs that sold off with the rest of the UK equity market. The UK market is one of the world's cheapest and many of the country's companies are truly global. These firms should benefit as the situation stabilises and the UK government reaches trade agreements with other countries. Within the EU, Brexit has created greater unity – for now, this is limited to how the EU will issue and distribute funds for its recovery but could lead to increased harmonisation of capital markets and banking.
- Our continued efforts towards diversifying and upgrading the quality of the portfolio are intended to help us succeed in the challenging environment ahead. After all, uncertainty can be favourable for active investment managers with a long-term horizon and global opportunity set. We are applying all our energies and talents to uncovering what we view as the best ideas in this environment, and then integrating them into a sensible and balanced portfolio suitable for a future of increasing adversity and complexity.

Fund Details

Inception Date	29/12/2000
Benchmark	MSCI Europe Index-NR

Fund Description

The Fund aims to achieve long-term capital appreciation by investing principally in equity and/or equity-related securities of companies of any market capitalisation in European countries.

Performance Data¹

Performance Net of Management Fees as at 31/12/2020 (Dividends Reinvested) (%)^a

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/12/2000)
A (acc) EUR	5.01	13.40	-18.72	-18.72	-7.72	-2.59	2.80	1.40
Net of Sales Charge - A (acc) EUR	-0.24	7.73	-22.78	-22.78	-9.29	-3.58	2.27	1.14
MSCI Europe Index-NR EUR	2.37	10.80	-3.32	-3.32	2.91	4.27	6.29	2.97

Investment Team

Dylan Ball
Years with Firm 13
Years Experience 21

John Reynolds
Years with Firm 0
Years Experience 13

1. Net Returns (NR) include income net of tax withholding when dividends are paid.

What Are the Key Risks?

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. The Fund invests mainly in equity and equity-related securities of companies of any market capitalisation located in or doing significant business in European countries. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably over time. Other significant risks include: foreign currency risk. For full details of all of the risks applicable to this Fund, please refer to the "Risk Considerations" section of the Fund in the current prospectus of Franklin Templeton Investment Funds.

Important Legal Information

Templeton European Opportunities Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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a. Source for all information is Franklin Templeton Investments. Benchmark related data provided by FactSet. Fund performance computed in share class currency, on NAV-NAV basis and dividends reinvested. Net of Sales Charge figures are after 5% sales charge. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Other commissions, taxes and other relevant costs paid by investor are not included.



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