Franklin Global Real Estate Fund

Franklin Templeton Investment Funds

A (Qdis) USD
30 November 2020

Fund Commentary

Performance Review

- Global real estate markets bounced back sharply during November 2020, matching the double-digit gains of the broader equity markets. Many investors turned bullish as the month progressed as uncertainty around the US elections lessened and progress on multiple potential COVID-19 vaccines was reported. In Europe, the news of potential coronavirus vaccines and expected additional stimulus measures from certain central banks in the region helped offset worries about rising COVID-19 cases and the potential for renewed business restrictions.
- For the month, the fund's A (Qdis) USD shares returned 9.87%, and its benchmark, the FTSE EPRA/NAREIT Developed Index, returned 13.22%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Industries/Sectors	Countries
HELPED	Cousins Properties	Storage Property (Underweight)	Japan (Stock Selection, Underweight)
	Retail Properties of America	—	Switzerland (Lack of Exposure)
	Summit Hotel Properties	—	—
HURT	Equinix	Industrial Property (Stock Selection, Overweight)	United States (Stock Selection)
	Extra Space Storage	Retail Property (Stock Selection, Underweight)	France (Stock Selection)
	QTS Realty Trust	Diversified (Stock Selection, Underweight)	United Kingdom (Stock Selection)

- Performance in the industrial property sector was led lower by our investments in Japanese REIT (JREIT) GLP, US-based warehouse operator Prologis and Segro, the largest owner of industrial warehouse property in the United Kingdom. Also from the industrial property sector, shares of Americold Realty Trust, a US-based owner and operator of temperature-controlled warehouses, took a breather from their recent rally, hampering relative fund results. The stock's modest decline came after the company reported quarterly revenue numbers that missed consensus expectations. Americold's stock price was pressured further by an apparent cyberattack that briefly halted the company's operations.
- Other notable stock-level detractors included US-based data centre landlord Equinix. Shares in the company, which owns and operates over 200 data centre locations in 52 markets globally, lost value during November. Although the data centre sector had outperformed during the first several months of the pandemic due to large numbers of people working from home, the prospect of a vaccine and an eventual return to normalcy dampened many investors' enthusiasm for "stay-at-home" pandemic beneficiaries such as Equinix.
- Turning to contributors, shares of recently acquired, US-based hotelier, Summit Hotel Properties surged in early November after the company reported a significant improvement in quarterly revenue-per-available room. Although we had been significantly underweight the hotel subsector due to concerns about the impact to demand caused by the COVID-19 pandemic, we believe that Summit's focus on modestly priced, low-service offerings in predominantly drive-to markets in the United States, with low exposure to major coastal urban centers or group event business, positions it relatively well to recover revenue more quickly than peers.

Outlook & Strategy

- We attribute REITs' long-term, superior risk-adjusted performance to the sector's long-term contractual income streams, healthy dividend growth, strong macroeconomic diversification and high-quality assets that are typically managed by seasoned investment professionals with strong capital allocation track records. Furthermore, REIT valuations generally have been supported over the long term by the falling cost of capital, healthy transaction markets and robust operating trends across most property types.
- However, given the circumstances surrounding COVID-19 and the extreme volatility that has engulfed financial markets, REITs, like any asset class, are undergoing significant share-price turbulence, as investors grapple with the economic ramifications of the pandemic. Several property types, notably hotels and retail, may be significantly impacted by associated shutdowns and other mitigation efforts.
- On the other hand, real estate sub-sectors such as industrial, data centres and storage property may be largely unaffected by the implications of COVID-19. Given the current recession, however, we would anticipate that all asset classes may incur varying degrees of headwind. Sub-sectors such as industrial and data centres should continue to perform relatively well in any event due to structural demand tailwinds (i.e., growth in e-commerce and cloud computing). However, we are concerned that a sustained economic decline may exacerbate the challenges facing brick-and-mortar retail.
- Overall, we believe the real estate sector's high-quality and defensive attributes position it well to deliver attractive returns versus the broader market amidst times of uncertainty. Our focus remains on those REITs best placed to deliver consistent cash flow and capital growth over time, which we assess based on asset and management quality, while seeking to protect against downside risk by assessing financial strength and governance. Furthermore, risk-adjusted returns may be enhanced by investing in a diversified portfolio of securities across various sub-sectors and markets.

Fund Details

Inception Date	29/12/2005
Benchmark	FTSE EPRA/NAREIT Developed Index

Fund Description

The Fund aims to maximise total investment return consisting of income and capital appreciation, by investing in real estate investment trusts (REITs) and other companies whose principal business is real estate oriented. These investments shall qualify as transferable securities. The Fund will seek to invest in companies across a wide range of real estate sectors and countries. The base currency of the Fund is U.S. Dollar.

Performance Data

Performance Net of Management Fees as at 30/11/2020 (Dividends Reinvested) (%)[1]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/12/2005)
A (Qdis) USD	9.87	2.91	-10.28	-10.53	0.47	1.94	4.48	1.52
Net of Sales Charge - A (Qdis) USD	4.38	-2.23	-14.76	-15.00	-1.23	0.90	3.94	1.17
FTSE EPRA/NAREIT Developed Index USD	13.22	6.21	-11.40	-10.85	1.75	4.16	6.59	4.93

Investment Team

Daniel Scher
Years with Firm 18
Years Experience 14

Blair Schmicker, CFA
Years with Firm 13
Years Experience 16

For use by brokers/dealers or intended institutional investor recipients only and cannot be disseminated further.

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 REITs and other equity securities of the real estate sector. Such REITs and securities have historically been subject to significant price movements that may occur suddenly due to market or real estate-specific factors. As a result, the performance of the Fund can fluctuate considerably over time. The Fund may distribute income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital. Other significant risks include: foreign currency risk, liquidity risk, derivative instruments 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

Franklin Global Real Estate Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

This document is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Any research and analysis contained in this presentation has been procured by Franklin Templeton Investments for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of any information, opinion or estimate herein. **The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested.**

Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

Past performance or any prediction or forecast is not necessarily indicative of future performance of the Fund. Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or our authorised distributors. Potential investor should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, this Fund is not available to U.S. Persons and Canadian residents.

Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of the Fund. In the event an investor chooses not to seek advice from a financial adviser, he/she should consider whether the Fund is suitable for him/her.

Issued by Templeton Asset Management Ltd. Registration No. (UEN) 199205211E

The Fund may utilise financial derivative instruments for currency hedging and/or efficient portfolio management.

Important data provider notices and terms available at www.franklintempletondatasources.com.

1. 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.

For use by brokers/dealers or intended institutional investor recipients only and cannot be disseminated further.