

## Performance Review

- Indian equities advanced over the fourth quarter and outperformed the substantial decline in emerging markets overall. The rupee gained ground as lower oil prices eased worries about the oil-importing nation's trade deficit, although sentiment was dampened somewhat by the resignation of the governor of the Reserve Bank of India and recent state election results.
- For the quarter, the fund's A (acc) USD shares returned 5.30%, and its benchmark, the MSCI India Index, returned 2.53%.

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Kotak Mahindra Bank Limited	Industrials (Overweight)
	Cummins India Limited	Energy (Lack of Exposure)
	HDFC Bank Limited	Health Care (Stock Selection, Underweight)
Hurt	Housing Development Finance Corporation Limited	Financials (Stock Selection)
	Cognizant Technology Solutions Corporation Class A	Consumer Discretionary (Overweight)
	ICICI Bank Limited	Communication Services (Stock Selection)

- The fund benefitted from its lack of exposure to the decline in the energy sector. The sector was weakened early in the period as benchmark heavyweight Reliance Industries reported poorly received quarterly results along with news that the government wanted certain state-run oil companies to provide fuel-price cuts for customers.
- An underweight allocation to health care contributed to relative returns, helped by a lack of exposure to select pharmaceuticals that declined on stock specific reasons, including corporate governance issues and weak quarterly results.
- In the consumer discretionary sector, Tata Motors was amongst the detractors as it reported disappointing performance in its Jaguar Land Rover (JLR) business. In October, JLR reported a decline in global sales during the previous month, and it also announced a two-week closure of a plant in the United Kingdom as it realigns its operations to match demand.

## ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Trent Limited	Industrials (Stock Selection, Overweight)
	Kotak Mahindra Bank Limited	Health Care (Stock Selection, Underweight)
	Godrej Consumer Products Limited	Consumer Discretionary (Stock Selection)
Hurt	Cognizant Technology Solutions Corporation Class A	Utilities (Lack of Exposure)
	Bharat Forge Ltd	Information Technology (Stock Selection)
	United Spirits Limited	—

- The consumer discretionary sector was amongst the contributors to relative performance. On an individual basis, retailer Trent was the strongest individual contributor overall.
- The health care sector contributed to returns, partly due to the fund's lack of exposure to a specific pharmaceutical stock that fell back on further corporate governance concerns.
- Early in the month, Bharat Forge, which supplies components for the automotive sector, weakened on increasing expectations of demand challenges in the commercial vehicles sector.

## Outlook & Strategy

- As the benefits of the substantial fiscal stimulus from US tax cuts and increased public spending wane, US corporate earnings and the broader global economic growth may moderate in 2019. However, strong fundamentals coupled with moderating valuations bode well for sustainable growth for India.
- Recent state elections and the upcoming general election have led to volatile markets, over and above the global factors. However, we believe that the rhetoric on competitive populism by certain political parties on issues such as loan waivers, subsidies, reduction in the Goods & Services Tax (GST), and unemployment allowances is a concern. If implemented, these measures could boost rural consumption, but would reduce funding available for infrastructure and capital expenditure (capex) growth. Inflation, too, might rear its head again. Another risk is the possibility that weakness in global markets and uncertainty in Indian markets could affect domestic flows, making Indian equities vulnerable to foreign portfolio investment flows.

- On the growth front, the policy reforms undertaken by the present government to improve productivity dynamics in the economy are expected to have a long-lasting positive impact. At present, the growth recovery is aided by consumption and exports. A prudent policy mix along with a pick-up in private sector capex should further favour the sustainability of the growth momentum.
- Additionally, as global growth moderates in 2019, pressure on commodity prices and inflation in general is expected to wane, paving the way for benign monetary conditions. The domestic banking sector is expected to drive better credit growth as it recovers from a significant provisioning cycle, leading to improving demand conditions. Higher capacity utilisation should lead to corporate capex picking up and, therefore, a broader revival in the investment cycle and earnings growth. In summary, we expect 2019 to be a better year for equities, compared with 2018.

### Fund Details

Inception Date	25/10/2005
Benchmark	MSCI India Index

### Fund Description

The Fund aims to achieve long-term capital appreciation by principally investing in equity securities of companies of any size located or performing business predominately in India.

### Performance Data

#### Performance Net of Management Fees as at 31/12/2018 (Dividends Reinvested) (%)<sup>1</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	0.37	5.30	-15.47	-15.47	5.96	9.72	11.26	10.14
Net of Sales Charge - A (acc) USD	-4.65	0.04	-19.70	-19.70	4.16	8.59	10.69	9.71
A (acc) SGD	-0.30	4.99	-13.85	-13.85	4.56	11.44	-	3.47
Net of Sales Charge - A (acc) SGD	-5.29	-0.26	-18.16	-18.16	2.79	10.30	-	2.83
MSCI India Index USD	-0.13	2.53	-7.30	-7.30	8.23	8.07	10.66	8.74
MSCI India Index SGD	-0.79	2.28	-5.46	-5.46	6.79	9.74	10.04	2.11

The Inception Date for the A (acc) USD share class and A (acc) SGD share class is 25/10/2005 and 30/09/2010 respectively.

### Investment Team

**Sukumar Rajah**  
Years with Firm 24  
Years Experience 28

**Stephen Dover, CFA**  
Years with Firm 21  
Years Experience 35

### 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 a single emerging country. Such Indian securities have historically been subject to significant price movements, frequently to a greater extent than equity markets globally. As a result, the performance of the Fund can fluctuate significantly over relatively short time periods. Other significant risks include: currency risk, emerging markets risk, liquidity 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.

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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.



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