

Fund Commentary
Performance Review

- India's equity market rose over the fourth quarter of 2020, outpacing the gain in emerging market (EM) stocks overall. Global equity markets advanced nearly across the board, helped by positive COVID-19 vaccine trials and the result of the US presidential election. Positive news appeared to outweigh concerns that economic recoveries would stall amidst renewed lockdowns in certain geographies resulting from rising coronavirus infection rates. In India, data pointed to an ongoing economic recovery, and average new daily cases of COVID-19 continued to wane.
- For the quarter, the fund's A (acc) USD shares returned 23.96%, and its benchmark, the MSCI India Index-NR, returned 21.04%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Reliance Industries Limited	Energy (Underweight)
	Kotak Mahindra Bank Limited	Consumer Discretionary (Stock Selection)
	MakeMyTrip Ltd.	Real Estate (Overweight)
HURT	Housing Development Finance Corporation Limited	—
	Motilal Oswal Financial Services Limited	—
	Trent Limited	—

- An underweight position in Reliance Industries (RIL) boosted relative performance as its share price fell back over the fourth quarter. RIL's share price was negatively impacted by quarterly results amidst a year-on-year fall in net profit. In addition, an index provider announced it was reducing the stock's weighting as part of its index review processes.
- In the financials sector, Kotak Mahindra Bank advanced. It was bolstered by quarterly results that included year-on-year net profit growth. In addition, a major index provider announced the stock as one of several from India that would be added to its EM index.
- In contrast, an underweight stance in Housing Development Finance Corporation hindered performance as its share price made strong progress over the quarter. The company, which is a provider of housing finance, saw its shares gain ground in the wake of results in the middle of the quarter that saw improved growth in loan applications, despite a year-on-year fall in its quarterly net profit fall.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Oberoi Realty Limited	Real Estate (Overweight)
	Reliance Industries Limited	Energy (Underweight)
	Crompton Greaves Consumer Electricals Ltd.	Utilities (Lack of Exposure)
HURT	HDFC Bank Limited	Financials (Stock Selection)
	Housing Development Finance Corporation Limited	Information Technology (Underweight)
	Trent Limited	—

- In December, HDFC Bank's share price failed to make much headway and detracted from relative returns. The Reserve Bank of India ordered HDFC Bank to put a key digital project and the sourcing of new credit card customers on hold, following recent power outages at its data centres.
- The underweight stance in Housing Development Finance Corporation also detracted in December. The company's share price continued to outperform as the demand for mortgage loans was higher than expectations.
- Real estate was amongst the strongest sectors in the benchmark index, in part spurred by signs of a recovery, including improved residential demand helped by attractive interest rates for home loans. Holdings in Oberoi Realty and Godrej properties advanced and added to relative performance.

Outlook & Strategy

- India's economic recovery continued over the fourth quarter, against a trend of declining new daily COVID-19 infections, following a peak in September 2020. Although a few regions are still under nightly curfews, much of India's economy is reopen, which helped to boost investor sentiment. Positive COVID-19 vaccine development news was also helpful.
- In our view, India's rural economy has been performing well, following good rainfall levels and amidst a relatively limited impact from the pandemic when compared with urban areas. Additionally, an element of agricultural commodity price inflation has also been helpful for farmers.
- The urban economy has not fared as well, but the economic environment has been on an improving trajectory. Infrastructure spending has been accelerating through a mixture of government and private-sector funding, and the real estate sector is showing signs of recovery after years in the doldrums. However, hospitality which was amongst the hardest-hit segments of the economy will see a much slower recovery, in our view.

- Central and state government finances recently received a boost from improvements in collection of the Goods and Services Tax, which saw a record-high collection level in December 2020. This revenue improvement could, in turn, lead to taxes on petrol coming down, which would provide a boost to consumers. The government introduced further stimulus measures in the fourth quarter of 2020, including a subsidising of wages, an extension of the credit guarantee scheme and other measures designed to boost consumer demand. It remains to be seen whether any further packages to bolster the economic rebound will be forthcoming, as it is possible the government may focus on its longer-term programmes rather than shorter-term incentive measures.
- Valuations, following the rally into end-December 2020, show a mixed picture. We believe that certain segments of the market, including information technology and pharmaceuticals are sitting on relatively high valuations after strong run ups in both sectors. The technology sector is currently addressing a new cost backdrop as the business model evolves around the work-from-home trend. In our view, sectors and industries that stand closer to normalised valuation levels include banks, automobiles and other areas of consumer discretionary, materials and industrials.
- Overall, we expect India's economic recovery to continue over the 2021 current calendar year as economic activity gradually settles towards pre-pandemic levels. We see corporate earnings on an uptrend and expect earnings normalisation, following the pandemic-related downturn, during the current calendar year. However, we remain mindful of the risks, including the ongoing virus pandemic, regional and global geopolitical relations and the path of the recovery and infection rates in other regions globally.

Fund Details

Inception Date	25/10/2005
Benchmark	MSCI India Index-NR

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 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
A (acc) USD	9.74	23.96	12.92	12.92	0.84	7.61	4.39	10.14
Net of Sales Charge - A (acc) USD	4.26	17.76	7.27	7.27	-0.87	6.52	3.86	9.77
A (acc) SGD	8.12	19.94	10.89	10.89	0.43	6.09	4.69	4.42
Net of Sales Charge - A (acc) SGD	2.71	13.94	5.35	5.35	-1.27	5.01	4.16	3.90
MSCI India Index-NR USD	10.19	21.04	15.55	15.55	4.84	9.52	3.38	9.10
MSCI India Index-NR SGD	8.71	17.19	13.58	13.58	4.45	7.98	3.71	3.57

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 26
 Years Experience 29

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 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: foreign 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.

Important Legal Information

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

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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.

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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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