FRANKLIN TEMPLETON

Franklin Mutual U.S. Value Fund

Franklin Templeton Investment Funds

A (acc) USD
31 August 2020

Fund Commentary

Performance Review

- The US equity market rally continued for a fifth consecutive month with August generating the best return since April. Large-cap growth stocks recouped their losses from the March 23 market bottom and reached a new all-time high during the period. Value stocks trailed their growth counterparts by a significant margin during the month and are in negative territory, year-to-date.
- For the month, the fund's A (acc) USD shares returned 3.36%, and its benchmark, the S&P 500 Index, returned 7.19%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Medtronic Plc	Communication Services
	Walt Disney Company	Financials
	Charter Communications, Inc. Class A	Health Care
HURT	Huntington Ingalls Industries, Inc.	Utilities
	Western Digital Corporation	—
	Pinnacle West Capital Corporation	—

- Medtronic's shares rallied after management reported better-than-expected fiscal first-quarter financial results. The decline in the medical device maker's revenue and profitability narrowed, compared with the previous period, as elective surgical procedure volumes recovered. Many patients and their physicians postponed and/or canceled elective surgeries at hospitals that were overwhelmed earlier in the year in response to the coronavirus pandemic.
- Disney's stock priced surged as investors endorsed management's response to the COVID-19 headwinds and embraced their initiatives to deepen direct to consumer (DTC) relationships. Third-quarter earnings and revenue fell sharply – but were better than expected – as closed theaters, suspended sports seasons and shuttered theme parks contributed to a revenue shortfall. However, Disney+, the streaming service that debuted last November, continued to grow, and now has more than 60 million subscribers; the company announced the much-anticipated remake of Mulan will be released on the platform, initiating a new premium video-on-demand tier. Management also announced it will launch an international general entertainment streaming service, Star, with content from other Disney properties, while ESPN will seek to acquire streaming rights as part of its negotiations with sports leagues to position the network to pivot more heavily into DTC.
- Shares of Western Digital sold off after management's fiscal first-quarter guidance projected a decline in revenue and adjusted earnings. The diminished top line forecast – shared during the fiscal fourth-quarter earnings announcement early in the month – was attributed to an anticipated slowdown in spending by cloud customers, which is likely seasonal. A decline in demand for NAND flash memory and hard disk drives has pressured pricing. Historically, the industry has moderated supply growth when pricing weakens, setting up the next upcycle.

Outlook & Strategy

- The stock market's Aug. 18 all-time high marked the quickest recovery from a bear market bottom since the advent of record keeping. Investor sentiment was boosted by upward revisions to second-quarter earnings that surpassed consensus forecasts by record margins. Expectations, however, had been significantly lowered entering the period as businesses shutdown to stem the spread of coronavirus. Corporate earnings, on average, slid a record 32% for the period ending June 30. Companies benefitting from remote working and low interest rates, notably those in the technology sector and, more recently, consumer discretionary (homebuilders and retailers with e-commerce capability) attracted investor attention. Industries with ties to travel and leisure, as well as financials, continue to lag the advance.
- The impressive stock market rebound occurred amid a backdrop of mixed economic signals. Revised second-quarter GDP declined 31.7% (annualised) compared with the initial estimate of -32.9%. July new home sales, reported during the month, surged almost 14% quarter-over-quarter (36% year-over-year), lifted by an exodus from larger cities to the suburbs. Conversely, unemployment, while improving, remained high, and consumer confidence, as measured by the Conference Board Consumer Confidence Index, fell to a pandemic-level low.
- To boost economic recovery and job creation, the US Federal Reserve (Fed) announced a new policy framework allowing for higher inflation. Under this strategy, the Fed would seek to obtain an average level of inflation (currently set at 2%) over time; this implies that when the unemployment rate falls, policymakers would not tend to pre-emptively hike interest rates to stave off inflation, as they traditionally have done in the past.
- While the Fed has taken a "lower-for-longer" interest rate approach to supporting the economy, the executive and legislative branches of the US government are at a stalemate about additional fiscal stimulus. The CARES Act, which provided a $600 weekly unemployment benefit, expired on July 31, and House Democrats and Senate Republicans have been unable to reconcile their competing aid packages. President Trump in August signed several executive orders and memoranda related to some of these issues. However, these actions were limited in scope; would take time to implement; and are likely to be challenged in court as Congress is assigned the power to tax and spend.
- Amid these elevated risks, we remain cautious and focused on our bottom-up, fundamentally driven investment process to identify opportunities that often emerge during turbulent periods. While volatility can be unnerving, it is important to remember that it is inherent to investing in risk assets, and the market historically rewards investors who take a long-term perspective.

Fund Details

Inception Date	07/07/1997
Benchmark	S&P 500 Index

Fund Description

The Fund aims to achieve long-term capital appreciation by investing principally in US equity and convertible debt securities. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations.

Performance Data

Performance Net of Management Fees as at 31/08/2020 (Dividends Reinvested) (%)[1]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	3.36	6.85	-18.15	-9.31	-2.38	1.47	5.98	5.02
Net of Sales Charge - A (acc) USD	-1.81	1.51	-22.25	-13.85	-4.03	0.43	5.44	4.79
A (acc) SGD	2.40	2.93	-17.20	-11.09	-2.26	0.74	6.03	1.39
Net of Sales Charge - A (acc) SGD	-2.72	-2.22	-21.34	-15.54	-3.92	-0.29	5.49	0.99
S&P 500 Index USD	7.19	15.48	9.74	21.94	14.51	14.45	15.16	8.00
S&P 500 Index SGD	6.15	11.21	11.00	19.55	14.64	13.63	15.21	8.45

The Inception Date for the A (acc) USD share class and A (acc) SGD share class is 07/07/1997 and 25/10/2007 respectively.

Investment Team

Peter Langerman
Years with Firm 31
Years Experience 34

F. David Segal, CFA
Years with Firm 18
Years Experience 29

Deborah Turner, CFA
Years with Firm 27
Years Experience 28

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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 located in the U.S. 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, derivative instruments 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 Mutual U.S. Value Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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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.

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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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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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