

Fund Commentary
Performance Review

- Middle East and North Africa (MENA) equities advanced in August, outpacing emerging-market equities overall. Investors welcomed improving economic data, encouraging news on potential coronavirus vaccines and treatments, as well as a new US monetary policy approach signalling an extended period of low interest rates. However, new clusters of COVID-19 infections and shaky US-China ties capped market sentiment.
- For the month, the fund's A (acc) USD shares returned 6.50%, and its benchmark, the S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%, returned 5.83%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Fawry For Banking Technology And Electronic Payment	Financials (Stock Selection)	Saudi Arabia (Stock Selection)
	Emirates NBD Bank (P.J.S.C)	Information Technology (Off-benchmark Exposure)	United Arab Emirates (Stock Selection)
	Qatar National Bank QPSC	Communication Services (Lack of Exposure)	Jordan (Lack of Exposure)
HURT	Human Soft Holding Co. KSCC	Energy (Stock Selection)	Kuwait (Stock Selection)
	Industries of Qatar Co. (Not in Portfolio)	Industrials (Stock Selection)	Germany (Off-benchmark Exposure)
	Juhayna Food Industries	Real Estate (Stock Selection)	Egypt (Stock Selection)

- In August, information technology business Fawry For Banking Technology And Electronic Payment added to returns.
- In the financials sector, Emirates NBD Bank moved higher over the month on anticipation of index-related flows, while an underweight to Qatar National Bank also added to relative performance, as its share price trailed the benchmark.
- In contrast, positions in Qatar Gas Transport and ADES International held back relative returns from the energy sector.

Outlook & Strategy

- During August, the United Arab Emirates (UAE) became the third country in the Middle East to normalise relations with Israel, joining Egypt and Jordan. This move should see cooperation on regional issues, technology, trade and investment access over the coming months and years.
- Also in the UAE, Abu Dhabi and Dubai raised funds in the debt market, against a backdrop of low oil prices and COVID-19-impacted budgets. Ahead of the issues by Dubai, there was concern that it would have problem raising the funds but, in the event, the order book was oversubscribed.
- In Saudi Arabia, Saudi Aramco's weighting in MSCI indexes was increased, following a technical adjustment that led to a rise in its foreign ownership limit. This led to passive flows into the stock. Meanwhile, despite a difficult financial backdrop, Saudi Arabia hired Bechtel to start foundation work for its planned new city, Neom. This move, in an environment of low crude oil prices, underlined the importance of the project to the country's rulers.
- Qatar brought through two laws to protect migrant workers. First, it abolished restrictions on migrant workers changing jobs without their current employers permission. Second, it introduced a new minimum wage and basic allowance for food and accommodation for certain workers.
- Bahrain raised its debt ceiling to allow it to deal with the current environment of low oil prices. However, in Kuwait there was still ongoing wrangling over a new law to raise its debt limits. Currently, the risk is that it will not reach a new debt deal in time to pay salaries in December. The possibility for compromises and workarounds exists, but in the meantime, there is likely to be volatility on reports of progress or lack of progress with this law. In other news, there were reports about an improvement in the health of the country's emir, who is undergoing treatment in the United States.
- Lebanon's prime minister resigned in the wake of the explosion in Beirut's harbour region. His replacement was previously the country's ambassador to Germany, and is seen as a compromise candidate by some observers. The country has a lot of issues to fix, not least among these are debt, currency, and inflation (which hit 112% in July), and fresh elections could be on the agenda in the near future, in our view.
- Amidst rising COVID-19 cases in Morocco, the country's king pointed to the potential for a further lockdown as a possible solution.
- Egypt's economy grew 3.5% over the fiscal year to 30 June 2020, compared with a pre-pandemic estimate of 5.8% growth. The second six months of the period were heavily impacted by pandemic-related factors, but the expansion delivered still outstripped the International Monetary Fund's estimate of 2.0% for the period.
- Overall, while some countries globally have managed to partially re-emerge from COVID-19-related lockdowns without seeing infection rates worsen, others are experiencing difficulties with infection rates increasing or second waves developing. However, there have been positive reports on vaccines and improvements in treatments, while general mortality rates have broadly reduced.

- Despite the support of monetary and fiscal measures from many central banks and governments globally, the timing of any economic rebound remains unknown. We believe that overall valuations look somewhat stretched given underlying fundamentals and the ongoing economic strain. However, any significant stock-market correction could provide an opportunity to invest in quality companies that we believe have visible, secure cash flows and that trade at a discount to their intrinsic value. We continue to analyse the potential effects of the COVID-19 pandemic on holdings in the portfolio.
- Meanwhile, we still believe, the outlook for oil producing economies is negative as oil prices are still low compared with recent history, and there remains pressure on governments' budget deficits, as demonstrated by Saudi Arabia's recent deficit figures, at a time when local economies are in need of fiscal stimulus, thereby constraining governments' scope and scale of action.
- We continue to monitor international trade issues between the United States and China, as well as other risks and developments in trade relations and regional geopolitics.

Fund Details

Inception Date	16/06/2008
Benchmark	Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%

Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities of companies across the entire market capitalisation spectrum in the Middle East and North Africa (MENA) region, including, but not limited to Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates.

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 (16/06/2008)
A (acc) USD	6.50	14.52	-10.88	-10.88	0.96	0.64	3.59	-3.60
Net of Sales Charge - A (acc) USD	1.17	8.79	-15.33	-15.33	-0.76	-0.39	3.06	-4.01
Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% USD	5.83	8.95	-8.83	-6.50	3.94	3.62	4.44	-1.05

Investment Team

Bassel Khatoun
Years with Firm 13
Years Experience 18

Salah Shamma
Years with Firm 13
Years Experience 19

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 or doing significant business in the MENA (Middle East and North Africa) region. Such emerging markets 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 considerably over time. Other significant risks include: emerging markets risk, foreign currency risk, liquidity risk, operational 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 MENA 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.

Copyright© 2020 Franklin Templeton. All rights reserved.

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

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

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC.

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

The benchmark performance shown is derived from a combination of the MSCI Arabian Markets SA Capped 20% Index from the Fund's inception to 29 September 2010 and the S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index from 29 September 2010 to current reporting period.

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.



www.franklintempleton.com.sg

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