Franklin Mutual Global Discovery Fund

Franklin Templeton Investment Funds

A (acc) USD
31 August 2020

Fund Commentary

Performance Review

- Global equity markets generated solid returns during the month as better-than-expected second-quarter corporate earnings reports – relative to expectations – contributed to positive investor sentiment. Regionally, US growth stocks rallied to record highs, surpassing their pre-pandemic peak. Equity returns in Asia and Europe were solid but lagged those in the United States and the global benchmark. 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 4.28%, and its benchmark, the MSCI World Index, returned 6.72%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Medtronic Plc	Financials	United States
	Volkswagen AG Pref	Consumer Discretionary	Germany
	Walt Disney Company	Health Care	Netherlands
HURT	Samsung Electronics Co., Ltd.	Information Technology	South Korea
	Western Digital Corp.	—	China
	Cisco Systems, Inc.	—	—

- 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

- During the period, global equity markets continued to benefit from accommodative monetary policy and optimism for additional stimulus. In the United States, 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. In Europe, investor optimism was lifted by mostly positive earnings reports relative to low expectations. Positive economic data and fresh stimulus measures in China helped drive most Asian markets. Japanese Prime Minister Shinzo Abe, the architect of economic reforms nicknamed "Abenomics," resigned at the end of the month due to illness, but investors don't anticipate any significant, near-term policy changes as a result.
- The impressive rally in US stocks occurred amid a backdrop of mixed economic signals. 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. Europe reported its steepest-ever recession during the period, and unemployment ticked higher. In Asia, China's economic indicators were generally positive, as it appears to have the virus under control, while Japan's economy contracted for a third consecutive quarter.
- 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. The European Central Bank indicated that it stood ready to buy more bonds or use other tools to encourage growth.
- While the Fed has taken a "whatever-it-takes" 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	25/10/2005
Benchmark	MSCI World Index

Fund Description

The Fund aims to achieve capital appreciation by investing primarily in equity securities of companies of any nation that the investment manager believes are available at market prices less than their intrinsic value. The Fund primarily invests in mid and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars. To a lesser extent, the Fund may also invest in distressed securities and merger arbitrage situations.

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 (25/10/2005)
A (acc) USD	4.28	6.92	-18.12	-8.65	-3.73	0.63	3.94	3.77
Net of Sales Charge - A (acc) USD	-0.94	1.57	-22.21	-13.22	-5.36	-0.40	3.41	3.41
MSCI World Index USD	6.72	14.87	5.73	17.41	10.42	11.04	11.36	7.77

Investment Team

Peter Langerman
Years with Firm 31
Years Experience 34

Tim Rankin, CFA
Years with Firm 17
Years Experience 28

Christian Correa, CFA
Years with Firm 17
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 securities of mid- and large-capitalisation companies worldwide. 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, derivatives 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 Global Discovery 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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