

**Fund Commentary**
**Performance Review**

- Global equities advanced during August as corporate earnings and economic data generally improved, central banks remained accommodative, and optimism about coronavirus vaccine candidates grew. The month began with a sharp rally in value stocks, though they were soon eclipsed by the growth and quality stocks that have dominated this protracted market cycle.
- For the month, the fund's A (Ydis) USD shares returned 5.18%, and its benchmark, the MSCI All Country World Small Cap Index, returned 5.56%.

**ONE-MONTH KEY PERFORMANCE DRIVERS**

	Stocks	Sectors	Countries
<b>HELPED</b>	Dometic Group AB	Materials (Stock Selection)	Sweden (Stock Selection)
	Techtronic Industries Co., Ltd.	Real Estate (Stock Selection, Underweight)	Argentina
	Livent Corporation	Utilities (Lack of Exposure)	Japan (Stock Selection)
<b>HURT</b>	Sonos, Inc.	Information Technology (Stock Selection)	Taiwan (Stock Selection, Overweight)
	King Yuan Electronics Co., Ltd.	Consumer Discretionary (Stock Selection)	United States (Stock Selection)
	Merida Industry Co., Ltd.	Consumer Staples (Stock Selection)	Australia (Lack of Exposure)

- The stock price of wireless home audio company Sonos declined in August after the company reported a wider-than expected third-quarter loss. While direct-to-consumer sales were higher, many brick-and-mortar retail partners have closed, dampening revenues. Longer term, we believe the company's multiple top-line growth drivers, its stable gross margin and focus on improving its operating structure should lead to meaningful growth.
- Taiwan-based King Yuan Electronics provides integrated circuit (IC) testing services to semiconductor manufacturers. The company's stock traded lower in August, but going forward we think the key story is King Yuan's 5G exposure. We also expect King Yuan to benefit from its strong testing position with MediaTek (a key third-party smartphone designer).
- Dometic Group, maker of climate control products for the recreational vehicle, marine and ground transport industries, rose in value in August. The stock price of recreational vehicles and their suppliers has surged as consumers see camping as a safe way to travel and vacation domestically during COVID.

**Outlook Strategy**

- Global equities delivered their best August in at least 30 years to cap a fifth consecutive monthly gain since the recovery from the coronavirus-related selloff in 2020's first quarter. Despite an early (and brief) value rebound, performance trends have become increasingly dominated by a small cadre of technology and e-commerce stocks, mostly based in the United States.
- Official monetary policy remains unwaveringly committed to sustaining the reflationary rally, with the total assets on the balance sheets of major central banks growing by about 33% year-over-year, the fastest growth since the initial policy response to the global financial crisis. Money supply growth has been surging as central banks flood the commercial banking system with liquidity and guarantee loans, while federal budget deficits are rising to levels never before seen during peacetime.
- Yet the recovery has remained extremely unbalanced, with many pundits referencing a "K-shaped" recovery in which capital-light technology companies and white collar employees able to work from home are benefitting while brick-and-mortar operations and lower-paid workers continue to suffer acutely. Such imbalances only add to pre-existing concerns about inequality, which are increasingly highlighted by civil unrest in America (and elsewhere).
- An upcoming US presidential election cycle could bring further risks to stability given the current political climate, while escalating geopolitical tensions between the United States and China appear to be sparking a new kind of cold war and technological arms race. Japan now faces the prospect of a new government after its longest-ever period of continuous leadership, while in Europe Brexit remains largely unresolved and Germany's leadership is uncertain given Angela Merkel's impending retirement. And, of course, the coronavirus pandemic looms large as scientists race to develop and deploy a vaccine before potential future waves of infection.
- Given the opposing forces of ultra-supportive policy stimulus on the one hand and economic and political instability on the other, we believe that well-diversified portfolios with complementary exposures and risk profiles can position us well for uncertainty. To us this means portfolios full of reasonably valued stocks with what we view as attractive growth and quality characteristics and competitive advantages that potentially can drive sustainable success over a long-term investment horizon.

**Fund Details**

Inception Date	08/07/1991
Benchmark	MSCI All Country World Small Cap Index

**Fund Description**

The fund aims to achieve long-term capital appreciation by investing in equity and debt obligations of smaller companies throughout the world, including emerging markets. The fund invests principally in common stocks.

**Performance Data****Performance Net of Management Fees as at 31/08/2020 (Dividends Reinvested) (%)<sup>1</sup>**

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/07/1991)
A (Ydis) USD	5.18	14.73	-5.15	7.57	0.90	4.38	3.80	5.38
Net of Sales Charge - A (Ydis) USD	-0.08	9.00	-9.89	2.20	-0.81	3.31	3.27	5.19
MSCI All Country World Small Cap Index USD	5.56	13.90	-3.64	8.08	4.34	7.71	9.77	-

**Investment Team**

**Harlan Hodes**  
Years with Firm 18  
Years Experience 20

**David Tuttle, CFA**  
Years with Firm 17  
Years Experience 15

**Tina Sadler, CFA**  
Years with Firm 23  
Years Experience 25

### 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 smaller companies around the world. 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, emerging markets risk, liquidity risk, derivative instruments 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

Templeton Global Smaller Companies 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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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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