

## 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 (acc) USD shares returned 2.44%, and its benchmark, the MSCI AC World Islamic Index, returned 4.93%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	LG Chem Ltd.	Materials (Stock Selection)	Switzerland (Stock Selection, Underweight)
	Freeport-McMoRan, Inc.	Utilities (Stock Selection)	Denmark (Stock Selection)
	A.P. Moller - Maersk A/S Class B	—	Brazil (Lack of Exposure)
HURT	BioMarin Pharmaceutical Inc.	Information Technology (Stock Selection)	United States (Stock Selection)
	Samsung Electronics Co., Ltd.	Consumer Discretionary (Stock Selection)	China (Stock Selection)
	KDDI Corporation	Health Care (Stock Selection)	Canada (Stock Selection)

- Shares of South Korean semiconductor and consumer electronics manufacturer Samsung Electronics were weighed down by continued supply concerns in the DRAM (dynamic random-access memory) market, as well as general weakness in South Korea after coronavirus cases in the country surged the most since March. We believe Samsung stock has remained too cheap for a dominant, diversified and highly cash-generative large-cap technology company. We continue to anticipate an eventual upswing in the memory sector, demand growth and cost reductions in the smartphone division, and accruing benefits from Samsung's generous capital return programme.
- KDDI is the second-largest telecom company in Japan. The stock price held up well during the market sell-off in March, but has continued to lag in the market recovery. We believe this is a high-quality dividend growth company with low earnings risk. As at month-end, KDDI traded at a significant discount to leading global peers despite having a higher-quality business and superior earnings per share growth prospects.
- The stock price of American copper miner Freeport-McMoRan continued its rally as the price of copper recovered. Earlier in the summer the firm announced a well-received austerity plan to help weather this period of uncertainty (including capital expenditure reduction, executive pay cuts and a suspension of the dividend).

### 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	10/09/2012
Benchmark	MSCI AC World Islamic Index

**Fund Description**

The fund seeks capital appreciation by investing principally in Shariah-compliant equity and equity-related securities including common stocks of companies located anywhere in the world, including emerging markets.

**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	Since Inception (10/09/2012)
A (acc) USD	2.44	9.05	-5.95	4.92	-0.83	2.59	2.49
Net of Sales Charge - A (acc) USD	-2.68	3.60	-10.65	-0.33	-2.52	1.54	1.84
MSCI AC World Islamic Index USD	4.93	12.74	1.21	13.28	6.72	8.52	7.58

**Investment Team**

Alan Chua, CFA  
 Years with Firm 20  
 Years Experience 30

### 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 Shariah-compliant equity and equity-related securities of 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: emerging markets risk, foreign currency risk, liquidity risk, Shariah compliance risk. For full details of all of the risks applicable to this Fund, please refer to the section "Risk Considerations" of the Fund in the current prospectus of Franklin Templeton Shariah Funds.

### Important Legal Information

This document does not constitute legal or tax advice nor is it investment advice or an offer for shares of Franklin Templeton Shariah Funds (the "Fund"). Subscriptions to shares of the Fund can only be made on the basis of the current prospectus and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report accessible on our website [www.ftidocuments.com](http://www.ftidocuments.com) or which can be obtained, free of charge, from Franklin Templeton International Services, S.à r.l. - 8A, rue Albert Borschette, L-1246 Luxembourg.

Templeton Shariah Global Equity 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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