

## Fund Commentary

### Performance Review

- Global equities advanced in 2020's fourth quarter, with the bulk of gains concentrated in November following positive coronavirus vaccine trials. With the start of vaccinations, investors looked beyond spiking COVID-19 infections and continued economic shutdowns to imagine some restoration of normalcy in the not-so-distant future. Global value stocks outpaced global growth during the quarter.
- For the quarter, the fund's A (Ydis) EUR shares returned 18.82%, and its benchmark, the MSCI All Country World Index-NR, returned 9.91%.

### QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Soltec Power Holdings SA	Information Technology (Stock Selection)	United States (Stock Selection)
	Albemarle Corporation	Materials (Stock Selection, Overweight)	Spain (Overweight)
	First Solar, Inc.	Industrials (Stock Selection)	Denmark (Stock Selection)
HURT	E.ON SE	Financials (Lack of Exposure)	France (Stock Selection)
	Kellogg Company	Communication Services (Stock Selection)	Sweden (Stock Selection)
	Sanofi	Consumer Staples (Stock Selection)	Australia (Lack of Exposure)

- From the fund's solutions category, the renewable energy theme continued to perform particularly well, led by Spanish firm SolTec Power Holdings, which we purchased from its initial public offering (IPO) during the reporting period. SolTec is one of the leading suppliers of solar trackers which are used to help increase the electricity output per solar module. As a beneficiary of growth in both solar installations and solar tracker usage, SolTec looks well-placed to enjoy a runway of growth well beyond the current decade. Following the IPO, SolTec shares have risen sharply, reflecting the value of the development business, which was surprisingly profitable in the third quarter of 2020. We believe the company's proposed "asset rotation" strategy is likely to prove highly profitable, as large utilities and energy companies would prefer to buy projects once they are de-risked, and the stock remains a potential takeout candidate.
- Relative performance in the transitioning category was enhanced primarily by our investment in US-based specialty chemicals company Albemarle. Shares of Albemarle, the world's largest extractor of lithium salts used in lithium-ion rechargeable batteries, surged after the company reported quarterly earnings expectations and full-year 2020 guidance that surpassed expectations. Broadly, investor optimism regarding a COVID vaccine has supported defensive materials stocks such as Albemarle, while continued interest in electric vehicles has further buoyed the share prices of lithium producers.
- In contrast, relative performance was pressured slightly by our positioning in the resilient theme. Shares of French pharmaceuticals developer Sanofi fell after a laboratory mistake set back the development of the COVID-19 vaccine that it is working on in partnership with UK-based GlaxoSmithKline (not a fund holding). We see the setback as immaterial to earnings as COVID vaccine development is expected to be not for profit. Overall, we believe the stock has continued to look attractive on a relative basis, with a low price-to-earnings ratio as of period-end, good medium-term growth potential, improving research and development productivity, and a high dividend yield. Broadly, the pharmaceutical industry came under pressure on concerns Democratic gains in the US elections would lead to drug price reform.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Soltec Power Holdings SA	Energy (Stock Selection)	Spain (Stock Selection)
	Samsung Electronics Co., Ltd.	Industrials (Stock Selection)	South Korea (Overweight)
	Sumitomo Metal Mining Co., Ltd.	Information Technology (Stock Selection)	Denmark (Overweight)
HURT	Signify NV	Health Care (Stock Selection)	France (Stock Selection, Overweight)
	Verizon Communications Inc.	Consumer Discretionary (Stock Selection)	United States (Stock Selection)
	Kellogg Company	Communication Services (Stock Selection)	Netherlands

- During December, contributors in the transitioning category included South Korean firm Samsung Electronics. Its shares rose to a record on signs of a cyclical upswing in the memory business and expectations that the company's mobile and 5G network gear businesses would benefit from tighter trade sanctions on Chinese rivals.
- Relative fund performance was supported further by our investment in Japanese company Sumitomo Metal Mining, Japan's largest materials company, with a variety of metals exposure including copper (43% profit), nickel (30% profit), and gold (12%). We expect the company to benefit from growth in electric vehicles (EV) as the leading provider of nickel cobalt aluminum (NCA) battery cathode material used in Tesla EV batteries, as well as strong growth in copper demand driven by vehicle electrification and growth in solar power.
- In contrast, notable detractors from relative fund performance in December included US-based food company Kellogg, from the transitioning category. Its shares declined amidst signs that the pandemic's impact on grocery demand may be beginning to wane.

## Outlook & Strategy

- The fund focuses on three types of companies: 1) those providing solutions to reducing carbon emissions; 2) those transitioning to a lower carbon environment; and 3) those whose business is likely to prove resilient to the effects of climate change. Within this opportunity set, we apply Templeton's fundamental value discipline to look for what we consider climate change bargains.
- While we are encouraged by recent vaccine developments and are generally optimistic about their implications, much of the good news seems discounted by expensive valuations. Low interest rates may justify high valuations, but if the combination of stimulus and vaccination succeeds in reflation the global economy, rates should move higher, at least in nominal terms. Governments burdened by debts they can never pay back cannot afford to let interest costs spike, leading us to expect continued state intervention into financial markets and the economy, with all the distortions that implies for pricing signals. The era of free markets and liberal democracy as we once knew it is likely over, in our view. The modern policy goal of engineering a permanent recovery will prove impossible.
- However, we believe state intervention and market distortions should prove to be tailwinds for clean energy themes and companies that are transitioning: government stimulus has often been steered towards national climate change goals; lower interest rates can make renewable projects and climate investments more attractive; and a lack of growth in traditional sectors often pushes private investment into companies that can grow regardless of the economic backdrop, lowering their cost of capital.
- Our continued efforts towards diversifying and upgrading the quality of the portfolio are intended to help us succeed in the challenging environment ahead. After all, uncertainty can be favourable for active investment managers with a long-term horizon and global opportunity set. We are applying all our energies and talents to uncovering what we view as the best ideas in this environment and getting them into a sensible and balanced portfolio suitable for a future of increasing adversity and complexity.

## Fund Details

Inception Date	26/04/1991
Benchmark	MSCI All Country World Index-NR

## Fund Description

The Fund seeks capital appreciation by investing in equity securities of companies throughout the world which recognise and adapt to the long-term financial risks and opportunities presented by climate change and resource depletion.

## Performance Data<sup>1,2</sup>

### Performance Net of Management Fees as at 31/12/2020 (Dividends Reinvested) (%)<sup>a</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (26/04/1991)
A (Ydis) EUR	5.17	18.82	17.98	17.98	8.56	7.64	8.81	6.31
Net of Sales Charge - A (Ydis) EUR	-0.09	12.88	12.08	12.08	6.72	6.55	8.25	6.12
MSCI All Country World Index-NR EUR	2.30	9.91	6.65	6.65	9.37	9.61	10.14	7.42

## Investment Team

**Maarten Bloemen**  
Years with Firm 19  
Years Experience 34

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

1. MSCI All Country World Index-NR reflects performance of the MSCI All Country World Index (gross returns) from fund inception through 31 December 2000 and MSCI All Country World Index-NR thereafter.

2. Net Returns (NR) include income net of tax withholding when dividends are paid.

### What Are The 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 companies throughout the world which recognise and adapt to the long-term financial risks and opportunities presented by climate change and resource depletion. 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 significantly over relatively short time periods. Other significant risks include: foreign currency risk, derivatives instruments risk, emerging markets 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 Climate Change Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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a. 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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