

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 (Mdis) USD shares returned 3.44%, and its benchmark, the MSCI All Country World Index, returned 6.16%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	United Parcel Service, Inc.	Financials (Stock Selection)	China (Stock Selection)
	Alibaba Group Holding Ltd.	Consumer Staples (Underweight)	Netherlands
	Royal Bank Of Canada	Energy (Stock Selection)	Brazil (Lack of Exposure)
HURT	Samsung Electronics	Information Technology (Stock Selection)	United States (Stock Selection, Underweight)
	CommScope Holding	Communication Services (Stock Selection)	Japan (Stock Selection)
	Taiwan Semiconductor Manufacturing	Consumer Discretionary (Stock Selection)	South Korea (Stock Selection, Overweight)

- Our result in the information technology sector was led lower by our lack of exposure to various market darlings in this sector, and by our position in South Korean semiconductor and consumer electronics manufacturer Samsung Electronics. Its shares 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 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.
- Significant detractors in the communication services sector included Japanese telecommunications provider KDDI and Japanese-South Korean video game publisher NEXON. Although NEXON announced record second-quarter revenue overall during the August reporting period, investors signalled concerns about lower-than-expected performance in China, including a decline in quarterly revenue and a drop in online players returning to the company's most popular games.
- Relative fund returns were supported by our investment in US-based logistics and deliveries firm United Parcel Service (UPS), the fund's top contributor at the stock level. Shares of UPS reached an all-time high in August after the company announced it would impose significant new shipping fees on large retailers such as Amazon and Target (not fund holdings) during the upcoming holiday season. Management indicated that the new surcharges were necessary to offset higher costs related to hiring new workers and increasing capacity amidst a surge of online shopping due to the COVID-19 pandemic.

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	27/05/2005
Benchmark	MSCI All Country World Index

Fund Description

The fund aims to provide a combination of current income and long-term capital appreciation by investing, under normal market conditions, in a diversified portfolio of equity securities worldwide.

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
A (Mdis) USD	3.44	10.31	-12.73	0.56	-2.61	0.96	3.72	1.95
Net of Sales Charge - A (Mdis) USD	-1.73	4.79	-17.09	-4.47	-4.26	-0.07	3.19	1.61
A (Mdis) SGD	2.47	6.09	-11.91	-1.73	-2.78	-0.02	3.52	-1.45
Net of Sales Charge - A (Mdis) SGD	-2.66	0.79	-16.31	-6.65	-4.42	-1.04	2.99	-1.84
MSCI All Country World Index USD	6.16	15.44	5.12	17.12	9.56	10.80	10.49	7.68
MSCI All Country World Index SGD	5.25	11.04	6.29	14.79	9.60	9.99	10.53	4.88

The Inception Date for the A (Mdis) USD share class and A (Mdis) SGD share class is 27/05/2005 and 25/10/2007 respectively.

Investment Team

Alan Chua, CFA
Years with Firm 20
Years Experience 30

Peter Sartori
Years with Firm 0
Years Experience 29

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 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. The Fund may distribute income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital. 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 Equity Income Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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