



# FRANKLIN TEMPLETON INVESTMENTS

## Franklin Mutual U.S. Value Fund–A (acc) USD

Franklin Templeton Investment Funds

### Fund Manager Report

Value  
Equity  
31 October 2018

#### Product Details<sup>1</sup>

Fund Assets	\$438,365,960.52
Fund Inception Date	07/07/1997
Number of Issuers	68
Bloomberg	TEMAMAI LX
ISIN	LU0070302665
Base Currency	USD
Investment Style	Value
Benchmark	S&P 500 Index
Morningstar Category™	US Large-Cap Value Equity

#### Asset Allocation<sup>2</sup>

Percent of Total	%
Cash & Cash Equivalents	9.13
Equity	86.26
Fixed Income	4.61

#### Fund Description

The Fund aims to achieve long-term capital appreciation by investing principally in US equity and convertible debt securities. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations.

#### Performance Data

##### Performance Net of Management Fees as at 31/10/2018 (Dividends Reinvested) (%)<sup>3</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	-6.32	-5.57	-3.82	-1.10	4.65	4.60	8.28	5.85
Net of Sales Charge - A (acc) USD	-11.00	-10.29	-8.63	-6.04	2.87	3.53	7.73	5.59
A (acc) SGD	-5.06	-3.88	-0.38	0.54	4.25	6.89	7.54	2.50
Net of Sales Charge - A (acc) SGD	-9.81	-8.69	-5.36	-4.49	2.48	5.80	6.98	2.03
S&P 500 Index USD	-6.84	-3.25	3.01	7.35	11.52	11.34	13.24	7.24
S&P 500 Index SGD	-5.59	-1.51	6.69	9.13	11.11	13.80	12.47	7.23

##### Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	-6.32	-5.57	-3.82	-1.10	14.60	25.19	121.54	235.75
Net of Sales Charge - A (acc) USD	-11.00	-10.29	-8.63	-6.04	8.87	18.93	110.46	218.97
A (acc) SGD	-5.06	-3.88	-0.38	0.54	13.29	39.54	106.77	31.30
Net of Sales Charge - A (acc) SGD	-9.81	-8.69	-5.36	-4.49	7.63	32.56	96.43	24.74
S&P 500 Index USD	-6.84	-3.25	3.01	7.35	38.70	71.11	246.68	343.45
S&P 500 Index SGD	-5.59	-1.51	6.69	9.13	37.17	90.83	223.75	115.71

The Inception Date for the A (acc) USD share class and A (acc) SGD share class is 07/07/1997 and 25/10/2007 respectively.

#### Portfolio Manager Insight

##### Performance Review

##### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Merck & Co., Inc.	Consumer Staples
	Walgreens Boots Alliance Inc	—
	Comcast Corporation Class A	—
Hurt	American International Group, Inc.	Financials
	Medtronic plc	Energy
	Anadarko Petroleum Corporation	Information Technology

- Shares of American International Group (AIG) slid on larger-than-expected catastrophe-related losses announced ahead of quarterly results. The losses were due to multiple typhoons in Japan, Hurricane Florence on the Atlantic coast, and mudslides in California. Investors tend to look beyond uncharacteristic weather-related losses, but we believe AIG's series of operating challenges and negative surprises in recent years likely played a role in the stock price's meaningful decline.

1. All holdings are subject to change. Holdings of the same issuers have been combined.

- Medtronic's stock price reached an all-time high in late September but gave back some of those gains in October amidst broader market weakness. Our views have not changed regarding Medtronic's attractive fundamentals. We believe that the stock can close the valuation discount to its medical technology peers over time with a continued focus on innovation and improving operating performance, along with better communication with financial markets.
- Shares of Merck & Co. rose as positive clinical data continued to improve the market position of its key oncology drug, Keytruda. In addition, Bristol-Myers Squibb's (not a fund holding) competing oncology drug, Opdivo, reported less favourable clinical results.

### Outlook & Strategy

- As investors look ahead to 2019, there is likely to be some slowing in the positive corporate fundamentals of recent quarters. We believe underlying US economic conditions remain generally favourable, led by a strong labour market, healthy consumer and capital spending. However, the boost to corporate earnings growth from lower corporate tax rates will fade next year, while higher interest rates, a softening US housing market, tariffs imposed by the United States and China, and heightened geopolitical risks could result in slower US economic growth.
- We continue to believe our investments in automakers and automotive suppliers offer attractive risk-reward profiles despite the potential negative impact from tariffs. Some automakers are in the middle of new product cycles, the level of technology within vehicles is rapidly increasing (e.g., advanced safety features, telematics and electric motors), and we have identified additional idiosyncratic catalysts.
- While crude oil and energy sector stock prices have been quite volatile, we believe fundamentals have not changed much as supply and demand for oil remains relatively balanced. Capital spending among oil producers, particularly companies held by the fund, remains disciplined, with the rapid growth in free cash generation used to improve balance sheets and return cash to shareholders. Crude oil supplies in some regions remain constrained in part by limited pipeline infrastructure, which highlights the need for continued investment in pipelines and reinforces our view on the favourable outlook for fee-based pipeline companies.
- More broadly, we have been seeking to take advantage of the October market turbulence by looking for companies across all sectors with little or no change in fundamentals at particularly attractive levels.
- Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined and driven by rigorous fundamental analysis that attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

### Portfolio Characteristics<sup>4,5</sup>

	Portfolio	S&P 500 Index
Price to Earnings (12 Month Trailing)	14.53x	20.39x
Price to Book	1.58x	3.23x
Price to Cash Flow	8.15x	11.94x
Market Capitalisation (Millions in USD)	104,406	227,417
Dividend Yield	2.37%	2.03%

## Portfolio Diversification

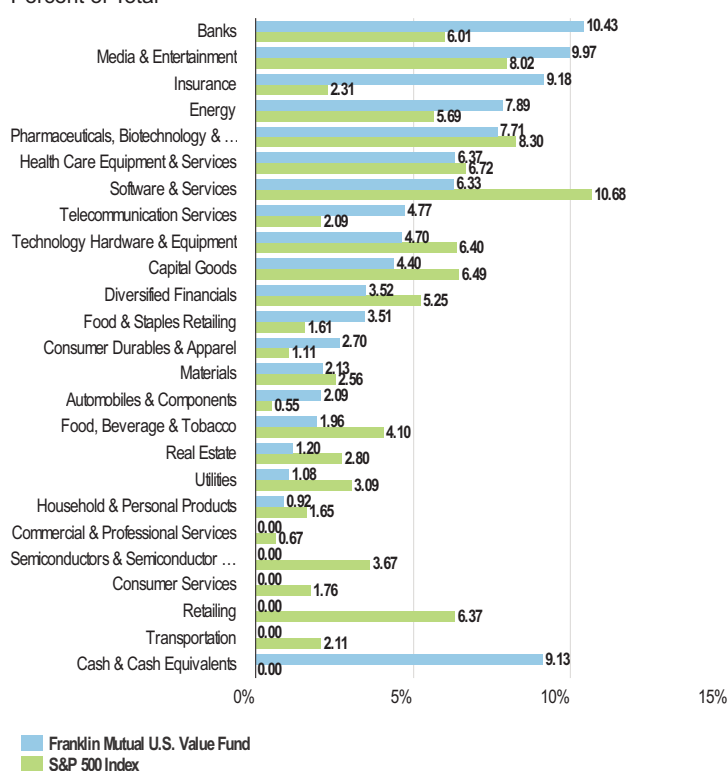
Top Ten Holdings<sup>6</sup>

Percent of Total

Top Holdings	%
MEDTRONIC PLC	4.45
MERCK & CO INC	4.43
ELI LILLY & CO	3.28
CISCO SYSTEMS INC	2.88
WALT DISNEY CO	2.69
JPMORGAN CHASE & CO	2.58
CHARTER COMMUNICATIONS INC	2.39
WELLS FARGO & CO	2.37
CITIZENS FINANCIAL GROUP INC	2.18
MICROSOFT CORP	2.08

Sector Weightings vs. S&P 500 Index<sup>2</sup>

Percent of Total



## Supplemental Performance Statistics

Supplemental Risk Statistics<sup>7</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Mutual U.S. Value Fund	9.44	10.01	12.99	12.91
S&P 500 Index	9.26	9.98	13.42	14.76
<b>Tracking Error (%)</b>	4.31	3.81	4.07	6.89
<b>Information Ratio<sup>8</sup></b>	-1.60	-1.77	-1.22	-0.19
<b>Beta</b>	0.91	0.93	0.92	0.77
<b>Sharpe Ratio</b>				
Franklin Mutual U.S. Value Fund	0.40	0.40	0.61	0.29
S&P 500 Index	1.15	1.08	0.96	0.34

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Peter Langerman, Chief Executive Officer	29	32
F. David Segal, CFA, Portfolio Manager/Research Analyst	16	27
Deborah Turner, CFA, Portfolio Manager/Research Analyst	25	26
	Number of Members	Average Years Experience
Franklin Mutual Series	18	17

## 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 and equity-related securities of companies located in the U.S. 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: currency risk, derivatives 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.

7. Beta, Information Ratio and Tracking Error information are measured against the S&P 500 Index.

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**The Fund may utilise financial derivative instruments for investment purposes.**

In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. Stocks mentioned in this report are not a solicitation to purchase those stocks, and are examples of some stocks which performed well. Not all stocks in the portfolio performed as well. For the most current information on the fund, please contact your Franklin Templeton marketing representative.

Performance figures are not based on audited financial statements and assume reinvestment of interest and dividends. When comparing the performance of Franklin Templeton Investment Funds (the "Fund") with a benchmark index, it is important to note that the securities in which the Fund invests may be substantially different than those represented by the benchmark index. Furthermore, an investment in Franklin Templeton Investment Funds represents an investment in a managed investment company in which certain charges and expenses, including management fees, are applicable. These charges and expenses are not applicable to indices. Lastly, please note that indices are unmanaged and are not available for direct investment. Certain data and other information shown have been supplied by outside sources. While we consider that information to be reliable, we give no assurance that such data and information is accurate or complete.

The indices include a greater number of securities than those held in the Fund.

**As at 31 January 2018, Franklin Mutual Beacon Fund was renamed Franklin Mutual U.S. Value Fund.**

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2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
3. 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.
4. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalisation figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
5. The dividend yield quoted here is the yield on securities within the portfolio and should not be used as an indication of the income received from this portfolio.
6. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the fund, or that securities sold will not be repurchased. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.
8. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).



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