

Product Details¹

Fund Assets	\$825,706,128.58
Fund Inception Date	14/10/2008
Number of Issuers	60
Bloomberg	TEMASAU LX
ISIN	LU0390135332
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI All Country Asia Ex-Japan Small Cap Index
Morningstar Category™	Asia ex-Japan Small/Mid-Cap Equity

Asset Allocation²

Percent of Total	%
Equity	98.28
Cash & Cash Equivalents	1.72
Fixed Income	0.00

Overall Morningstar Rating™³

Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in small cap companies incorporated in the Asia region (except Japan) or whose principal business activity is in the Asia region. Asian small cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index (Index).

Performance Data
Performance Net of Management Fees as at 31/07/2020 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (14/10/2008)
A (acc) USD	4.81	17.40	-11.15	-14.09	-4.89	0.53	5.71	12.54
Net of Sales Charge - A (acc) USD	-0.43	11.53	-15.60	-18.38	-6.50	-0.49	5.17	12.05
MSCI All Country Asia Ex-Japan Small Cap Index USD	8.55	20.09	1.54	6.69	-0.13	2.02	2.91	8.42

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (14/10/2008)
A (acc) USD	4.81	17.40	-11.15	-14.09	-13.95	2.69	74.28	302.93
Net of Sales Charge - A (acc) USD	-0.43	11.53	-15.60	-18.38	-18.26	-2.44	65.56	282.79
MSCI All Country Asia Ex-Japan Small Cap Index USD	8.55	20.09	1.54	6.69	-0.40	10.53	33.19	159.60

Portfolio Manager Insight
Performance Review
ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Novatek Microelectronics Corp.	Real Estate (Underweight)	Taiwan (Stock Selection)
	Merida Industry Co., Ltd.	Communication Services (Stock Selection, Underweight)	Singapore (Lack of Exposure)
	Xinyi Solar Holdings Ltd.	Utilities (Lack of Exposure)	Hong Kong (Underweight)
HURT	Health and Happiness (H&H) International Holdings Limited	Health Care (Stock Selection)	South Korea (Stock Selection)
	FILA Holdings Corp.	Consumer Staples (Stock Selection, Overweight)	China (Stock Selection)
	Xtep International Holdings Limited	Consumer Discretionary (Overweight)	Vietnam (Off-benchmark Exposure)

- China-based consumer health care company Health and Happiness (H&H) International faced profit-taking pressure amidst fresh COVID-19 outbreaks and tighter movement restrictions in Australia, one of its key markets. We remain confident in H&H's longer-term growth potential, aided by consumers' increased health awareness and growing demand for higher-quality products.
- South Korea-based sportswear company Fila fell on a weaker sales growth outlook for its products in China. We see resilience in Fila, underpinned by its wholesale-driven business model and royalty income stream. We also think the company is well-positioned for stronger growth when retail markets improve, thanks to a global revival of the Fila brand.

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

2. Percentage may not equal 100% due to rounding. All holdings are subject to change.

- Conversely, Taiwan-based Novatek Microelectronics rallied. A stay-at-home trend bolstered demand for the company’s products, which include chips for flat-panel displays, televisions, and other devices. We view increased remote working as a near-term tailwind for Novatek, while upgrades in device specifications and declining competition in certain business segments could benefit the company in the longer term.

Outlook & Strategy

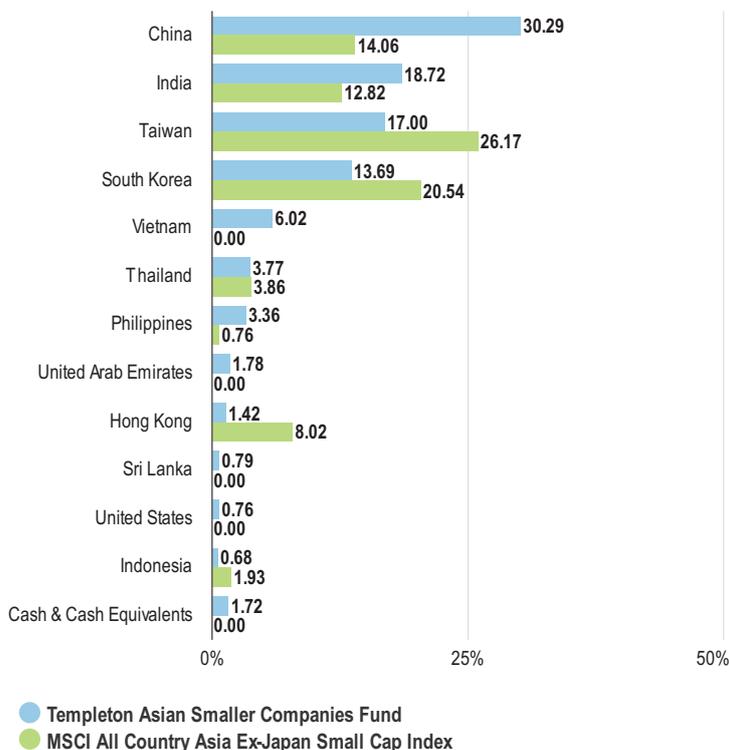
- Market sentiment has largely held out against the evolving trajectory of the pandemic. While some economies are struggling with new waves of COVID-19 transmission, others have seen containment and are gradually reopening. Consensus suggests that a potential vaccine is at least 12 to 18 months away and, in the interim, countries will need to start operating effectively again.
- We believe that the overall shape of an economic recovery in Asia remains uncertain. Given the region’s diverse nature, we could see a multi-phase improvement. How each economy performs could depend on its health going into the crisis, as well as the range of fiscal and monetary policy tools available. North Asia has been ahead of the curve in resuming economic activity, with China’s gross domestic product (GDP) posting better-than-expected growth in the second quarter. Comparatively, countries such as India could continue to face pressure as COVID-19 cases climb.
- In this environment, we have kept our focus on portfolio resilience, and we are not keen to chase short-term market momentum at any price. In South Korea, for example, we are not invested in certain biotechnology companies that have surged on investor optimism around their testing kits and potential treatments for COVID-19. Our investment philosophy remains centred on companies with sustainable earnings power, trading at what we consider to be a discount to their intrinsic worth.
- We favour small-cap companies that appear resilient, have strong competitive advantages, and are exposed to areas of secular growth in Asia. We believe the pandemic has accelerated certain structural trends. For instance, lockdowns have boosted online shopping, and we have positions in companies providing technology or logistics solutions supporting e-commerce. We have also seen consumers prioritising health and wellness during the outbreak, and we think this bodes well for suppliers of immunity-related products. We believe that our preference for quality companies positions the portfolio well in an uncertain climate.

Portfolio Characteristics^{5,6}

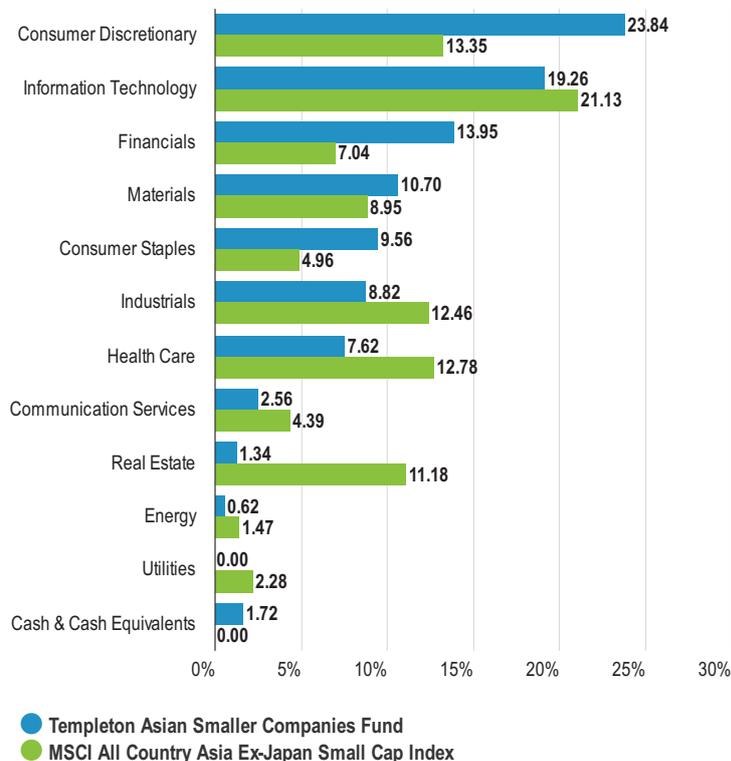
	Portfolio	MSCI All Country Asia Ex-Japan Small Cap Index
Price to Earnings (12-Month Trailing)	12.11x	14.20x
Price to Book	1.56x	1.28x
Price to Cash Flow	5.73x	6.93x
Market Capitalisation (Millions in USD)	2,634	1,513
Dividend Yield	3.28%	2.93%

Portfolio Diversification

Geographic Weightings vs. MSCI All Country Asia Ex-Japan Small Cap Index⁷
Percent of Total



Sector Weightings vs. MSCI All Country Asia Ex-Japan Small Cap Index⁷
Percent of Total



Top Ten Holdings⁸

Percent of Total

Top Holdings	Sector	Country	%
BAJAJ HOLDINGS & INVESTMENT LTD	Diversified Financials	India	5.99
XINYI SOLAR HOLDINGS LTD	Semiconductors & Semiconductor Equipment	China	4.42
FILA HOLDINGS CORP	Consumer Durables & Apparel	South Korea	4.23
NOVATEK MICROELECTRONICS CORP	Semiconductors & Semiconductor Equipment	Taiwan	3.84
BAOZUN INC	Retailing	China	3.56
HEALTH & HAPPINESS H&H INTERNATIONAL HOLDINGS LTD	Food, Beverage & Tobacco	China	3.53
LUYE PHARMA GROUP LTD	Pharmaceuticals, Biotechnology & Life Sciences	China	3.05
CHINA EDUCATION GROUP HOLDINGS LTD	Consumer Services	China	2.59
ASIA CEMENT CHINA HOLDINGS CORP	Materials	China	2.55
SYNNEX TECHNOLOGY INTERNATIONAL CORP	Technology Hardware & Equipment	Taiwan	2.50

Supplemental Performance Statistics**Supplemental Risk Statistics⁹**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Asian Smaller Companies Fund	21.27	18.92	17.81	19.73
MSCI All Country Asia Ex-Japan Small Cap Index	20.16	18.01	17.94	21.55
Tracking Error (%)	7.02	6.54	7.24	7.84
Information Ratio¹⁰	-0.68	-0.23	0.39	0.35
Beta	1.00	0.99	0.91	0.85
Sharpe Ratio				
Templeton Asian Smaller Companies Fund	-0.31	-0.03	0.29	0.65
MSCI All Country Asia Ex-Japan Small Cap Index	-0.09	0.05	0.13	0.46

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA	25	28
Vikas Chiranewal, CFA	14	16
Krzysztof Musialik, CFA	14	14

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 located in or doing significant business in Asia. Emerging markets have historically been subject to significant price movements, frequently to a greater extent than equity markets globally. 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, Chinese market 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.

9. Beta, Information Ratio and Tracking Error information are measured against the MSCI All Country Asia Ex-Japan Small Cap Index.

10. 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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Important Legal Information

Templeton Asian Smaller Companies Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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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.

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4. 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.

5. 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. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realised. All holdings are subject to change.

6. 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. **Past performance is not an indicator or a guarantee of future performance.**

7. Percentage may not equal 100% due to rounding. All holdings are subject to change.

8. 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 reserves the right to withhold release of information with respect to holdings that would otherwise be included.

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