

Fund Manager Report

Product Details

Fund Assets	€565,840,736.65
Fund Inception Date	03/04/2000
Number of Issuers	49
Bloomberg	TEMFMEE LX
ISIN	LU0140363002
Base Currency	EUR
Investment Style	Deep Value
Benchmark	MSCI Europe Index-NR
Morningstar Category™	Europe Large-Cap Value Equity

Asset Allocation¹

Percent of Total	%
Equity	92.65
Cash & Cash Equivalents	7.35

Fund Description

Under normal market conditions, the fund seeks long-term capital appreciation by investing primarily in the equity securities of companies incorporated or having their principal activities in European countries that the investment manager believes are available at prices less than their intrinsic value. The fund may also invest up to 10% of its net assets in non-European securities.

Performance Data^{2,3}

Performance Net of Management Fees as at 31/05/2020 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (31/12/2001)
A (acc) EUR	3.24	-14.30	-25.62	-14.94	-8.48	-5.83	2.34	3.02
Net of Sales Charge - A (acc) EUR	-1.92	-18.58	-29.34	-19.19	-10.03	-6.80	1.82	2.74
MSCI Europe Index-NR EUR	2.95	-6.42	-15.43	-4.24	-1.33	-0.26	6.19	3.37

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (31/12/2001)
A (acc) EUR	3.24	-14.30	-25.62	-14.94	-23.34	-25.97	26.02	73.09
Net of Sales Charge - A (acc) EUR	-1.92	-18.58	-29.34	-19.19	-27.17	-29.67	19.72	64.44
MSCI Europe Index-NR EUR	2.95	-6.42	-15.43	-4.24	-3.93	-1.31	82.34	83.99

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Vodafone Group Plc	Consumer Discretionary	Germany
	HORNBAACH Holding AG & Co. KGaA	Communication Services	United Kingdom
	ING Groep NV	Industrials	Netherlands
HURT	G4S plc	—	Ireland
	Standard Chartered PLC	—	—
	AIB Group PLC	—	—

- Shares of Vodafone jumped after the company reported better-than-expected fiscal fourth-quarter results and announced that it was maintaining the dividend at current level. More than 40 FTSE 100 companies have reduced or cut their dividends since the emergence of the COVID-19 pandemic. Vodafone's mobile services revenue and free cash flow exceeded consensus estimates, while profitability was in-line with forecasts. Management withdrew its fiscal year 2021 EBITDA guidance due to a lack of visibility on top-line trends but reiterated the outlook for free cash flow.
- Shares of ING bounced back with the broad European banking sector on indications that oil prices were recovering and the economy would begin to reopen. Earlier in the period, the Netherlands-based bank released quarterly financial results that exceeded consensus forecasts. A decline in first-quarter net profit came in better than expected.
- Shares of Standard Chartered dipped in the last days of the month on concerns about a resumption of tensions between China and the United States. The London-based bank operates primarily in developing countries, and Hong Kong is one of its key markets. China

2. Franklin Mutual European Fund was launched as a sub-fund of Franklin Templeton Investment Funds, a Luxembourg-registered SICAV, on 03/04/2000. The A (acc) share class in euros for this sub-fund was launched on 31/12/2001.

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

announced its intention to enact a sweeping security law in Hong Kong that would restrict its autonomy. In response, the United States said Hong Kong's special trade status would be revoked, which would result in higher tariffs on the region's exports to the United States, restrict US-Hong Kong travel and eliminate free currency exchange.

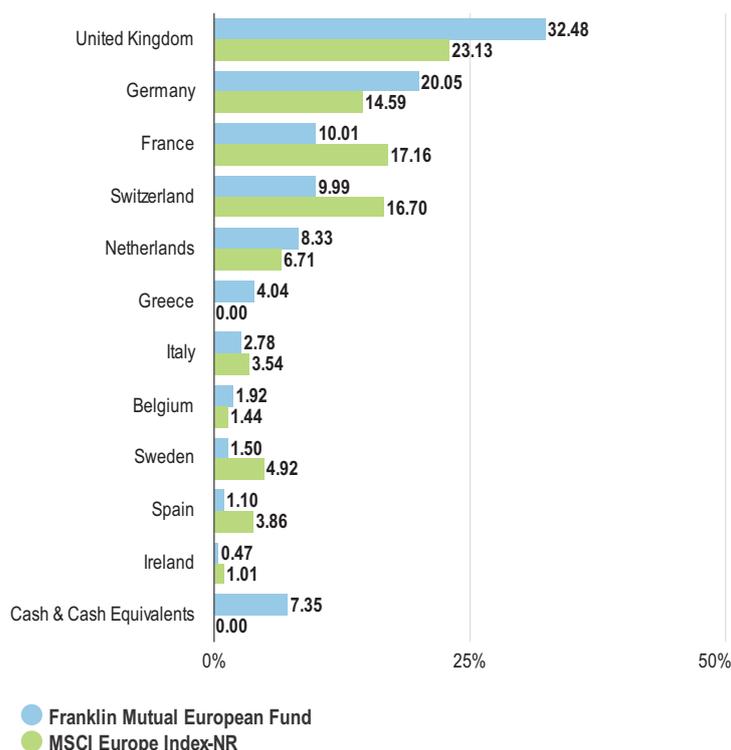
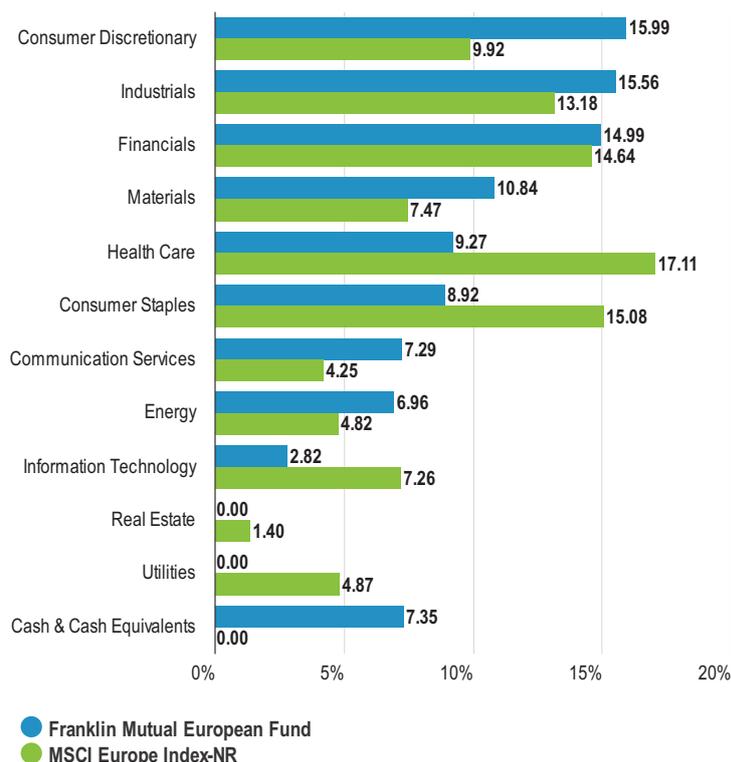
Outlook & Strategy

- It has become increasingly apparent from our first-quarter earnings conference calls that April was probably the bottom of the economic downturn. With factories reopening across the region, the shape of the recovery is open for debate: V-shape, or more recently, the reverse square-root shape in which the economy comes back quickly but stabilises at a point below pre-COVID levels. From our perspective, we have priced in the supply shock. Whether there is a demand shock, or if the massive fiscal stimulus has been supportive, is still unknown.
- The European Central bank, like its counterparts, has interpreted its mandate widely and is doing everything it can to support the region's economies and markets. Despite the German Constitutional Court's decision that ECB action needs to meet the test of proportionality, the central bank was clear in its response that it is answerable to the European Parliament.
- As the policy response to the pandemic begins working through the economy, the outlook for European banks and the ability of companies to pay dividends is shifting. The region's banks have become conduits for distributing capital to corporates. By contrast, American companies have primarily issued bonds to meet their capital needs. Consequently, we are increasingly concerned about the profitability of European financials as governments rely on them for broader social purposes. Also, Europe's reputation for superior dividend yields, compared with the United States, has come under pressure. Companies such as Royal Dutch Shell have reduced payouts, and many others have eliminated them to conserve cash.
- The pandemic has highlighted structural weaknesses between Europe's haves and the have-nots. Countries such as Italy, which is still recovering from the Global Financial Crisis, was hit hard by COVID-19 and lack the fiscal wherewithal to finance their recovery. As such, the recent announcement of the European Recovery Fund is probably one of the most significant COVID-related relief actions. Depending upon the structure of the final agreement, it could represent the first steps in the fiscal integration of the region, as well as lead to the euro being considered a safe-haven currency.
- As long-term investors, we can weather turbulence and look for it to provide opportunities to acquire shares in good franchises at attractive valuations. We remain disciplined in our approach and are committed to buying companies based on fundamentals, active engagement with management teams and a keen focus on cash flow and valuation. While the recent instability has, at times, been unnerving, it's important to remember that fluctuations – sometime extreme – are inherent to investing in risk assets, and the market historically rewards investors who take a long-term perspective.

Portfolio Characteristics^{5,6}

	Portfolio	MSCI Europe Index-NR
Price to Earnings (12-Month Trailing)	10.42x	15.04x
Price to Book	0.87x	1.59x
Price to Cash Flow	4.54x	8.32x
Market Capitalisation (Millions in EUR)	33,576	57,962
Dividend Yield	4.74%	2.76%

Portfolio Diversification

Geographic Weightings vs. MSCI Europe Index-NR¹
Percent of TotalSector Weightings vs. MSCI Europe Index-NR¹
Percent of TotalTop Ten Holdings⁷

Percent of Total

Top Holdings	Sector	%
HELLENIC TELECOMMUNICATIONS ORGANIZATION SA	Telecommunication Services	4.04
LAFARGEHOLCIM LTD	Materials	4.01
REXEL SA	Capital Goods	3.85
CIE GENERALE DES ETABLISSEMENTS MICHELIN SCA	Automobiles & Components	3.53
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	3.50
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	3.43
BRITISH AMERICAN TOBACCO PLC	Food, Beverage & Tobacco	3.16
VODAFONE GROUP PLC	Telecommunication Services	2.88
VOLKSWAGEN AG	Automobiles & Components	2.88
AVAST PLC	Software & Services	2.82

Supplemental Performance Statistics

Supplemental Risk Statistics⁸

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Mutual European Fund	19.66	17.87	14.97	13.93
MSCI Europe Index-NR	14.38	14.12	12.90	14.99
Tracking Error (%)	7.09	6.18	4.95	6.36
Information Ratio⁹	-1.02	-0.92	-0.79	-0.06
Beta	1.27	1.16	1.07	0.83
Sharpe Ratio				
Franklin Mutual European Fund	-0.40	-0.29	0.17	0.14
MSCI Europe Index-NR	-0.05	0.03	0.50	0.16

8. Beta, Information Ratio and Tracking Error information are measured against the MSCI Europe Index-NR.

9. 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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Investment Team

Portfolio Manager	Years with Firm	Years Experience
Katrina Dudley, CFA	17	22
Mandana Hormozi	16	29
Todd Ostrow	6	12
	Number of Members	Average Years Experience
Franklin Mutual Series	37	21

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 or doing significant business in European countries. 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, Shanghai-Hong Kong Stock Connect 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

Franklin Mutual European 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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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.

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1. 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.
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. Information is historical and may not reflect current or future portfolio characteristics. 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. 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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