



FRANKLIN TEMPLETON INVESTMENTS

Templeton BRIC Fund–A (acc) USD

Franklin Templeton Investment Funds

Value
Equity
30 November 2018

Fund Manager Report

Product Details¹

Fund Assets	\$657,126,853.85
Fund Inception Date	25/10/2005
Number of Issuers	49
Bloomberg	TEMBRAC LX
ISIN	LU0229945570
Base Currency	USD
Investment Style	Value
Benchmark	MSCI BRIC Index
Morningstar Category™	BRIC Equity

Asset Allocation²

Market Value—Percent of Total	%
Equity	97.35
Cash & Cash Equivalents	2.65
Fixed Income	0.00

Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities of companies organised under the laws of or having their principal office in Brazil, Russia, India and China (including Hong Kong and Taiwan) (BRIC), as well as in companies that derive the principal portion of their revenues or profits from BRIC economies, or have the principal portion of their assets there.

Performance Data

Performance Net of Management Fees as at 30/11/2018 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2005)
A (acc) USD	5.02	-2.83	-10.64	-7.95	13.54	3.05	6.54	4.20
Net of Sales Charge - A (acc) USD	-0.23	-7.69	-15.10	-12.55	11.62	2.00	5.99	3.79
MSCI BRIC Index USD	5.73	-2.23	-9.45	-6.82	12.37	3.65	8.88	7.45

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2005)
A (acc) USD	5.02	-2.83	-10.64	-7.95	46.37	16.21	88.37	71.42
Net of Sales Charge - A (acc) USD	-0.23	-7.69	-15.10	-12.55	39.06	10.40	78.95	62.85
MSCI BRIC Index USD	5.73	-2.23	-9.45	-6.82	41.92	19.62	134.15	156.19

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	Naspers Limited Class N	Consumer Discretionary (Stock Selection)	Brazil (Stock Selection)
	Bajaj Holdings & Investment Limited.	Communication Services (Stock Selection)	South Africa (Off-benchmark Exposure)
	Apollo Tyres Limited.	Energy (Stock Selection)	—
Hurt	Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology (Stock Selection)	Taiwan (Off-benchmark Exposure)
	Oil company LUKOIL PJSC Sponsored ADR	Real Estate (Lack of Exposure)	China (Underweight)
	Tencent Holdings Ltd.	Industrials (Stock Selection)	Russia (Overweight)

- A weak market outlook for Apple's iPhone sales weighed on major Apple suppliers, including Taiwan Semiconductor Manufacturing Company (TSMC). Nonetheless, our longer-term conviction in the chipmaker remains. TSMC has a strong technological lead over its rivals and we believe it is well-positioned to benefit from rising silicon content in various devices amidst the rapid development of artificial intelligence, autonomous driving and the 'Internet of Things'.
- The fund's underweight to Tencent held back relative returns as the China-based internet services provider rose, helped by better-than-expected quarterly earnings. While we are upbeat on Tencent's longer-term prospects across the gaming, online advertising, cloud computing and digital content businesses, we prefer to gain exposure to the company through its major shareholder Naspers, which has been trading at lower valuations.
- The fund's position in Naspers proved positive as the South Africa-based internet and media group advanced. The company achieved higher earnings for the first half of its financial year, thanks in part to a robust contribution from Tencent. Naspers has been trading at a discount to its stake in Tencent alone, and we believe the market has undervalued the rest of Naspers' businesses, including its fast-growing classifieds and payments units.

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

Outlook & Strategy

- Investor sentiment towards BRIC markets, and emerging markets in general, improved recently as dovish comments from US Federal Reserve Chairman Jerome Powell raised hopes of a pause in interest rate hikes in 2019 and led to a more bearish view on the US dollar.
- An announcement of a trade truce between the United States and China in early December could further support sentiment in the immediate term. However, over the longer term, uncertainties remain as both countries work towards reaching a more permanent solution.
- EM equities have become more attractively valued, in our view, as a result of low investor confidence earlier in the year, while cash flows improve and dividend payouts continue. Although EM earnings growth lagged developed markets in 2018, we expect a resumption of momentum in 2019; fundamentals remain strong and many EM currencies have adjusted significantly in 2018.
- Despite slowing global growth, emerging markets are still widely expected to achieve faster economic growth than developed markets in the foreseeable future.
- While short-term volatility may continue, as value-oriented and long-term investors, we continue to seek companies in BRIC markets that demonstrate sustainable earnings power and trade at a discount relative to their intrinsic value and other investments available in the market.

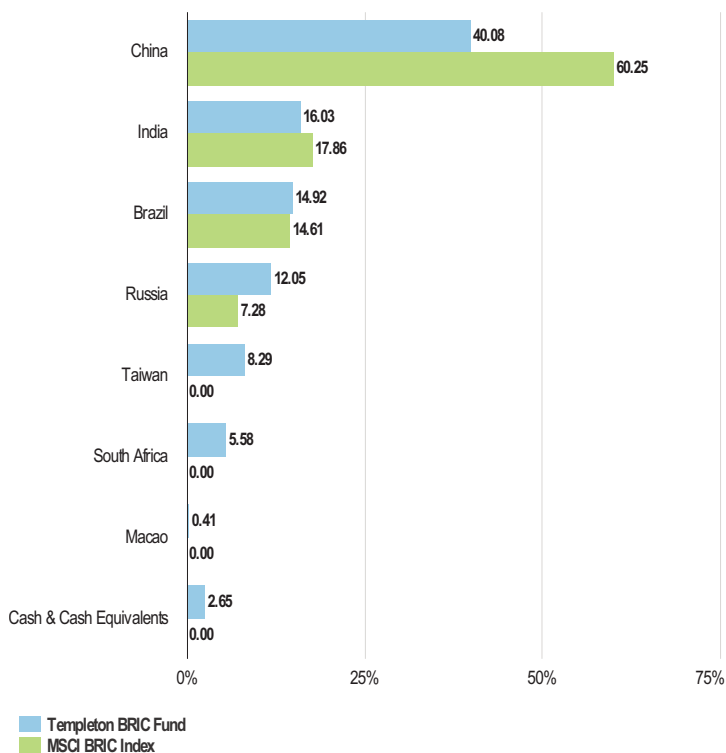
Portfolio Characteristics^{4,5}

	Portfolio	MSCI BRIC Index
Price to Earnings (12 Month Trailing)	10.69x	13.23x
Price to Book	1.50x	1.71x
Price to Cash Flow	5.06x	9.59x
Market Capitalisation (Millions in USD)	112,148	84,854
Dividend Yield	2.34%	2.54%

Portfolio Diversification

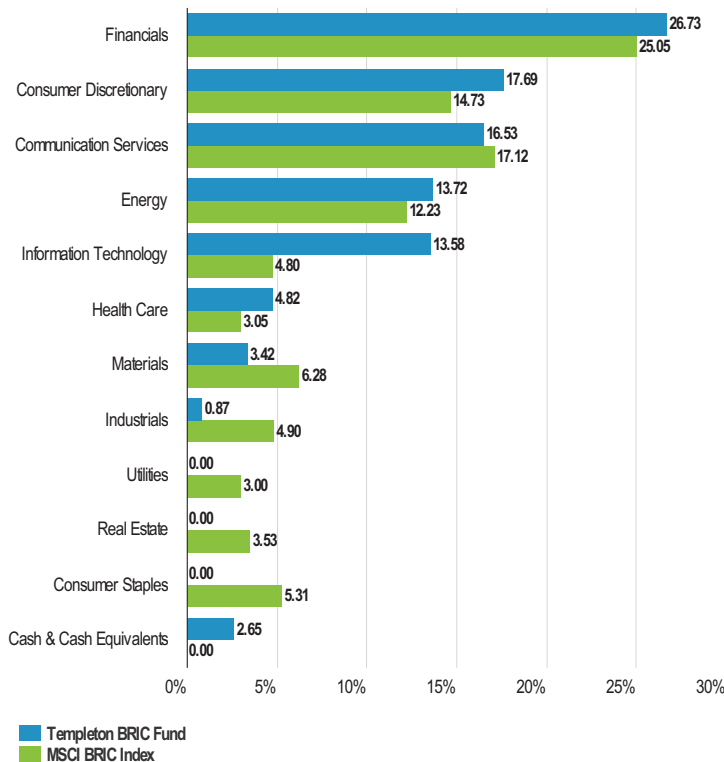
Geographic Weightings vs. MSCI BRIC Index²

Market Value—Percent of Total



Sector Weightings vs. MSCI BRIC Index²

Market Value—Percent of Total



Top Ten Holdings⁶

Market Value—Percent of Total

Top Holdings	Sector	Country	%
ALIBABA GROUP HOLDING LTD	Retailing	China	9.14
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	Semiconductors & Semiconductor Equipment	Taiwan	6.77
LUKOIL PJSC	Energy	Russia	5.72
NASPERS LTD	Media & Entertainment	South Africa	5.58
TENCENT HOLDINGS LTD	Media & Entertainment	China	5.30
ICICI BANK LTD	Banks	India	3.95
SBERBANK OF RUSSIA PJSC	Banks	Russia	3.72
ITAU UNIBANCO HOLDING SA	Banks	Brazil	3.44
ITAUSA - INVESTIMENTOS ITAU SA	Banks	Brazil	3.32
BANCO BRADESCO SA	Banks	Brazil	3.21

Supplemental Performance Statistics**Supplemental Risk Statistics⁷**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton BRIC Fund	15.81	17.71	21.88	25.12
MSCI BRIC Index	16.72	17.85	21.74	25.27
Tracking Error (%)	4.03	4.59	4.58	4.63
Information Ratio⁸	0.29	-0.13	-0.51	-0.71
Beta	0.92	0.96	0.98	0.98
Sharpe Ratio				
Templeton BRIC Fund	0.80	0.14	0.28	0.12
MSCI BRIC Index	0.68	0.17	0.39	0.25

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA, Senior Management Director, Director of Portfolio Management, Emerging Markets Equities	23	23
	Number of Members	Average Years Experience
Portfolio Managers/Analysts	6	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 securities of companies located in or doing significant business in the BRIC countries. Such 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 significantly over relatively short time periods. Other significant risks include: emerging markets risk, currency risk, liquidity risk, derivatives 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.

7. Beta, Information Ratio and Tracking Error information are measured against the MSCI BRIC Index.

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