



# FRANKLIN TEMPLETON INVESTMENTS

## Franklin Technology Fund–A (acc) USD

Technology Equity  
28 February 2019

Franklin Templeton Investment Funds

### Fund Manager Report

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

Fund Assets	\$2,877,290,829.52
Fund Inception Date	03/04/2000
Number of Issuers	71
Bloomberg	TEMTECI LX
ISIN	LU0109392836
Base Currency	USD
Investment Style	Technology
Benchmark	MSCI World Information Technology Index
Morningstar Category™	Sector Equity Technology

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

Percent of Total	%
Equity	99.19
Cash & Cash Equivalents	0.81
Fixed Income	0.00

#### Overall Morningstar Rating™<sup>3</sup>

★★★★★

Effective 29 September 2017, Franklin Technology Fund changed its benchmark to the MSCI World Information Technology Index, following the discontinuation of the BofAML Technology 100 Index.

#### Fund Description

The fund aims to achieve capital appreciation by investing at least two-thirds of its assets in equity securities of companies expected to benefit from the development, advancement and use of technology.

#### Performance Data

##### Performance Net of Management Fees as at 28/02/2019 (Dividends Reinvested) (%)<sup>4</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	6.45	10.47	19.55	11.47	26.65	15.58	19.82	3.95
Net of Sales Charge - A (acc) USD	1.13	4.94	13.57	5.90	24.48	14.40	19.20	3.67
A (acc) SGD-H1	6.39	10.16	19.32	-	-	-	-	14.90
Net of Sales Charge - A (acc) SGD-H1	1.07	4.66	13.35	-	-	-	-	9.16
MSCI World Information Technology Index USD	6.51	5.53	14.75	4.49	23.31	15.95	19.10	1.70
MSCI World Information Technology Index SGD	6.51	5.53	14.75	4.49	23.31	15.95	19.10	-

##### Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	6.45	10.47	19.55	11.47	103.03	106.25	509.68	107.90
Net of Sales Charge - A (acc) USD	1.13	4.94	13.57	5.90	92.88	95.94	479.19	97.50
A (acc) SGD-H1	6.39	10.16	19.32	-	-	-	-	14.90
Net of Sales Charge - A (acc) SGD-H1	1.07	4.66	13.35	-	-	-	-	9.16
MSCI World Information Technology Index USD	6.51	5.53	14.75	4.49	87.43	109.54	473.95	37.41
MSCI World Information Technology Index SGD	6.51	5.53	14.75	4.49	87.43	109.54	473.95	10.81

The Inception Date for the A (acc) USD share class and A (acc) SGD-H1 share class is 03/04/2000 and 06/04/2018 respectively.

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

## Portfolio Manager Insight

## Performance Review

## ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	2U (Off-Benchmark Exposure)	Application Software (Overweight, Stock Selection)
	Apple (Substantial Underweight)	Technology Hardware, Storage and Peripherals (Substantial Underweight, Stock Selection)
	ViaSat (Off-Benchmark Exposure)	IT Consulting and Other Services (Stock Selection, Underweight)
HURT	Amazon.com (Off-Benchmark Exposure)	Interactive Media and Services (Off-Benchmark Exposure)
	Tencent Holdings (Off-Benchmark Exposure)	Internet and Direct Marketing Retail (Off-Benchmark Exposure)
	Facebook (Off-Benchmark Exposure)	Specialized REITs (Off-Benchmark Exposure)

- The value of our investment in 2U, which provides cloud-based software platforms for non-profit colleges and universities to deliver online classes, increased by roughly a third during the month. 2U reported fourth-quarter 2018 results that surpassed analysts' consensus expectations, capping a stellar year as the company steadily moves its global expansion plans forward: revenues indicated accelerated growth as they rose 33% year-over-year to US\$115.1 million, which was well ahead of management's previous guidance.
- Investors appeared worried about how much longer Amazon.com's exceptional growth streak can continue, and its share price declined modestly in February as its revealed slow sales in its physical store segment. Last quarter, the e-commerce leaders' revenues rose by a robust 20%—outstanding for a company of its size, but a marked deceleration from the 38% growth it delivered during the prior-year quarter. For the current quarter, management guided for revenue growth between 10% to 18%, so that a result on the lower end of that range would signify a fairly significant slackening from the 30%-plus growth rates of the past two years.
- Facebook shares gave up some ground in February, having broken out of a slump with January's exceptional rally, so we think some of this month's selling may have been profit-taking by select investors. Amidst blockbuster fourth-quarter 2018 sales and earnings, Facebook's daily active users grew almost 9% year over year, while monthly active users rose by roughly same amount. Even the US/Canada and Europe segments, which many had feared might decline amidst privacy and security concerns, grew users. Though it has proven to be an excellent platform for advertisers as it continues to take market share away from traditional media, Facebook continues to come under investor and regulatory scrutiny as the company struggles with various data-mining and privacy scandals that have tarnished the trust and affection of its user base. Partially as a result of the backlash, the stock at February-end was trading significantly below last summer's highs.

## Outlook &amp; Strategy

- The tech sector has started 2019 on solid footing, and we continue to believe the coming months will be good for IT sector fundamentals (growing revenue, growing earnings per share, increased dividends) based on the "digital transformation" (DT) theme, lower taxes, and the need for increased productivity in a tightening labour market.
- Along with the other key IT-related risks we are monitoring in early 2019 (including an uncertain demand environment in China and continuing US-China trade tension), some investors have begun to voice their concerns about the risks associated with a longer-term rise in interest rates as it pertains to technology stocks, though by most measures we have re-entered a subdued interest-rate environment since November. While periods of rising interest rates typically create new places to get yield, we continue to believe such environments are indicative of strengthening economic fundamentals, which will also help to sustain technology spending growth, especially after many years of restrained investment and the burgeoning need for investment in DT initiatives.
- We continue to invest in what we believe are high quality, underappreciated emerging leaders levered to the most attractive, multi-year technology themes around DT, including artificial intelligence (AI) and machine learning (ML), 5G (the next generation of mobile networks), SaaS (software-as-a-service), cloud computing, e-commerce, fintech (technology-driven financial products and services, including digital payments), cybersecurity, autonomous vehicles, increasingly sophisticated robotics and the Internet of Things (IoT).
- We firmly believe that all businesses will need to invest more in technology to better unlock new opportunities, as well as understand and service their customers at a competitive cost, during the transition to technology-on-demand that will be integrated into daily life in the years ahead. Businesses—many of which were previously quite distant from pure technology—that do not make these investments risk being disrupted by a nimbler digital native. As it pertains to the fund's equity selection, we want to invest in the highest quality leading and emerging digital disrupters and those high-quality IT vendors helping businesses digitally transform.
- In the near future, all software applications and smart devices across all industries are likely to feature some form of embedded AI in them. Without a doubt, the rapid advancement in AI—supported by a large base of always-connected consumers, high-speed internet access and expanding global cloud-computing infrastructure—is ushering in a radical technological transformation that is permeating all areas of the global economy. Companies will likely have to keep up or be left behind as machine- and deep-learning take hold and become more prevalent.
- On a cautionary note, we see growing regulatory risks for the data-rich consumer internet platforms, particularly in relation to user privacy and data sharing with companies and government entities. While headline risks are on the rise, we believe that engagement and advertising productivity on platforms like Facebook can remain high, which should keep advertisers engaged and revenue flowing.

Portfolio Characteristics<sup>5</sup>

	Portfolio	MSCI World Information Technology Index
Market Capitalisation (Millions in USD)	196,003	294,766
Price to Earnings Growth Ratio	2.06x	1.67x
3-Year Sales Growth	24.22%	10.59%
Estimated 3-5 Yr EPS Growth	21.96%	13.18%
Price to Earnings (12 Month Forward)	29.61x	18.72x

## Portfolio Diversification

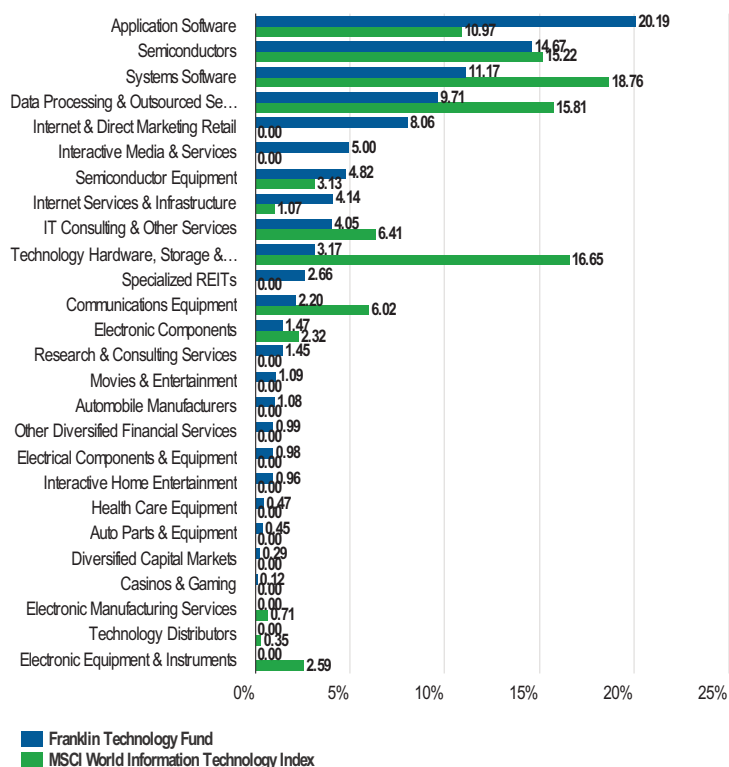
Top Ten Holdings<sup>6</sup>

Percent of Total

Top Holdings	%
MICROSOFT CORP	4.65
SERVICENOW INC	4.22
SALESFORCE.COM INC	4.21
ALIBABA GROUP HOLDING LTD	4.19
AMAZON.COM INC	3.87
WORKDAY INC	3.86
APPLE INC	3.17
MASTERCARD INC	2.95
VISA INC	2.55
TENCENT HOLDINGS LTD	2.47

Sector Weightings vs. MSCI World Information Technology 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 Technology Fund	15.73	15.68	16.85	26.03
MSCI World Information Technology Index	14.71	14.29	15.71	23.13
<b>Tracking Error (%)</b>	5.68	5.92	6.11	8.66
<b>Information Ratio<sup>8</sup></b>	0.59	-0.06	0.12	0.24
<b>Beta</b>	1.00	1.01	1.00	1.06
<b>Sharpe Ratio</b>				
Franklin Technology Fund	1.62	0.95	1.15	0.10
MSCI World Information Technology Index	1.51	1.07	1.19	0.02

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Jonathan T. Curtis, Portfolio Manager/Research Analyst	10	15
John Scandalios, CFA, Portfolio Manager/Research Analyst	22	29
James Cross, CFA, Portfolio Manager/Research Analyst	20	21

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

For use by brokers/dealers or intended institutional investor recipients only and cannot be disseminated further.

**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 technology companies worldwide. 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 significantly over relatively short time periods. Other significant risks include: 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.

**Important Legal Information**

**This document is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it.** Any research and analysis contained in this presentation has been procured by Franklin Templeton Investments for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of any information, opinion or estimate herein. **The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested.**

Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

**Past performance or any prediction or forecast is not necessarily indicative of future performance of the Fund.** Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or our authorised distributors. Potential investor should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, this Fund is not available to U.S. Persons and Canadian residents.

**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.**

Copyright© 2019 Franklin Templeton Investments. All rights reserved.

Issued by Templeton Asset Management Ltd. Registration No. (UEN) 199205211E

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.

*CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.*

The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for a full copy of the Disclaimer.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

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. ©2019 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.
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. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
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).



**FRANKLIN TEMPLETON  
INVESTMENTS**

[www.franklintempleton.com.sg](http://www.franklintempleton.com.sg)

**For use by brokers/dealers or intended institutional investor recipients only and cannot be disseminated further.**