

Fund Manager Report

Product Details¹

Fund Assets	\$358,243,277.35
Fund Inception Date	01/07/1999
Number of Issuers	42
Bloomberg	TEMFUAI LX
ISIN	LU0098860363
Base Currency	USD
Investment Style	Blend
Benchmark	S&P 500 Index
Morningstar Category™	US Large-Cap Blend Equity

Asset Allocation²

Percent of Total	%
Equity	99.38
Cash & Cash Equivalents	0.62
Fixed Income	0.00

Fund Description

The fund aims to achieve long-term capital appreciation by investing principally in US equity securities or convertibles as well as American Depository Receipts and American Depository Shares listed on the major US stock exchanges.

Performance Data

Performance Net of Management Fees as at 30/09/2020 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/07/1999)
A (acc) USD	-2.76	10.83	15.61	26.32	13.67	10.87	10.10	6.49
Net of Sales Charge - A (acc) USD	-7.62	5.29	9.83	20.00	11.74	9.75	9.54	6.24
S&P 500 Index USD	-3.80	8.93	5.57	15.15	12.28	14.14	13.74	6.30

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/07/1999)
A (acc) USD	-2.76	10.83	15.61	26.32	46.88	67.57	161.75	280.60
Net of Sales Charge - A (acc) USD	-7.62	5.29	9.83	20.00	39.54	59.20	148.66	261.57
S&P 500 Index USD	-3.80	8.93	5.57	15.15	41.55	93.80	262.44	266.43

Portfolio Manager Insight

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Alibaba Group Holding Ltd. Sponsored ADR	Information Technology (Stock Selection)
	NVIDIA Corporation	Consumer Discretionary (Stock Selection)
	salesforce.com, inc.	Energy (Lack of Exposure)
HURT	Apple Inc.	Industrials (Stock Selection)
	Analog Devices, Inc.	Materials (Stock Selection)
	Illumina, Inc.	Communication Services (Stock Selection)

- Data pointing to a Chinese economic recovery was a boost to Chinese stocks including our holding in Alibaba Group in the consumer discretionary sector. As China's largest e-commerce company, Alibaba's services have become increasingly relevant against a backdrop of pandemic-related shutdowns and health-related concerns over face-to-face commerce.
- NVIDIA reported second-quarter financial results that exceeded market expectations with strong growth in its data-centre business. The chipmaker is levered to several powerful secular trends, including artificial intelligence, autonomous vehicles and gaming, making the company highly attractive to us relative to other large-capitalisation semiconductor companies.
- In contrast, an underweight in the rising shares of Apple detracted from relative performance in the information technology sector. The company reported strong fiscal third-quarter financial results with all product lines growing faster than expected. In August, Apple became the first public company to reach a market capitalisation of US\$2 trillion.

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.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	NIKE, Inc. Class B	Information Technology (Stock Selection)
	Alibaba Group Holding Ltd. Sponsored ADR	Consumer Discretionary (Stock Selection)
	SBA Communications Corp. Class A	Energy (Lack of Exposure)
HURT	Teleflex Incorporated	Health Care (Stock Selection)
	Illumina, Inc.	Materials (Underweight)
	Alphabet Inc. Class A	—

- In the health care sector, Teleflex, a provider of surgical medical devices, reported a decline in second-quarter revenue due to the negative impact of COVID-19 postponing non-emergent surgical procedures. Teleflex has continued to offer an attractive combination of a diversified product portfolio with a growth profile that is superior to its competitors, in our view.
- Also in the health care sector, the announcement by Illumina that it would acquire a cancer detection healthcare company weighed on the shares of the gene sequencing pioneer. While the acquisition likely would depress short-term profits, we are optimistic that it will materially improve Illumina's longer-term growth profile.
- In the consumer discretionary sector, Nike reported strong fiscal first-quarter 2021 financial results and increased its full-year guidance, which boosted the shares of the athletic footwear and sportswear company. Product innovation, brand strength and greater digital focus have created structural tailwinds for Nike that we expect will drive long-term outperformance.

Outlook & Strategy

- The 2020 US presidential and congressional elections are fast approaching, and the related uncertainty is likely to influence financial markets and lead to more market volatility. Furthermore, we believe US equity markets will continue to wrestle with the COVID-19 impact on the economy for the remainder of 2020 as infection rates, treatment developments and business reopenings will dictate economic growth going forward regardless of which politicians hold power.
- While this will be an important election cycle that will have significant implications on our society and economy, we believe the long-term secular growth trends we have identified are going to be the real drivers of equity market appreciation in the long run.
- We have sought to position our portfolios to benefit from opportunities driven by digital transformation, which has been hastened by the presence of COVID-19. The necessity of working and studying remotely has accelerated already existing trends towards cloud-based computing and digitization. An increase in electronic payments and touchless transactions amidst growing concerns about the spread of the virus have benefitted mobile payment services providers, while e-commerce is seeing broader adoption as many brick-and-mortar businesses are shuttered.
- In the health care sector, we continue to be encouraged by the pace of innovation and change. Investment themes including genomics, data analytics and predictive artificial intelligence are accelerating research and development in the biotech and pharmaceutical industries. Virtual and tele-medicine are quickly migrating to mainstream adoption to provide patients with greater flexibility and higher quality care. We see many of these trends continuing in the years ahead.
- We seek to invest in high-quality businesses with good balance sheets and strong cash flows that we believe can endure economic volatility. As active managers navigating the financial markets, we seek to position our portfolios for the long term and we plan to use any volatility around the US elections as a potential opportunity to take advantage of what we consider good prices on great companies with durable business models.

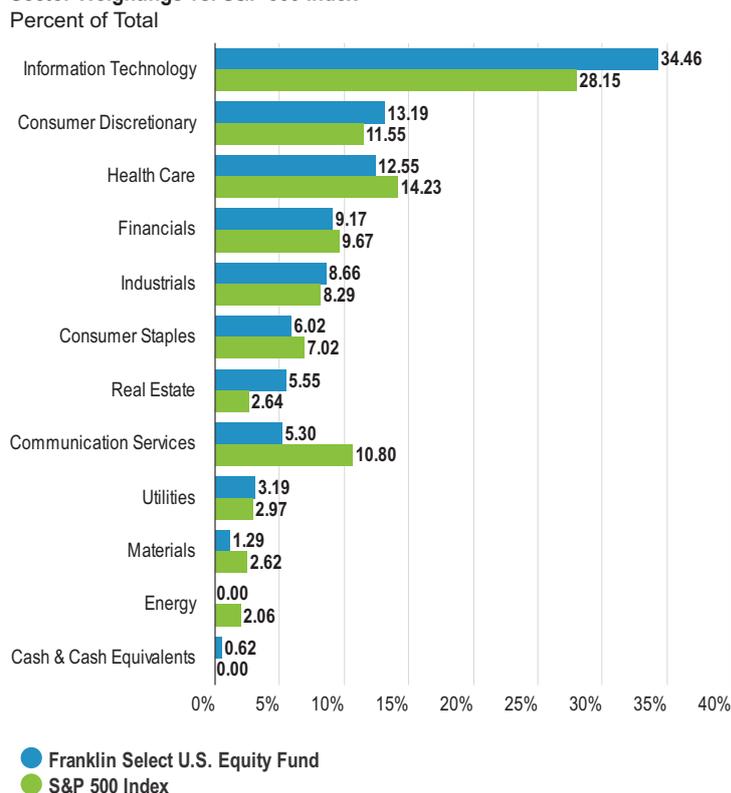
Portfolio Characteristics⁴

	Portfolio	S&P 500 Index
Market Capitalisation (Millions in USD)	406,597	452,972
Price to Earnings Growth Ratio	2.72x	2.43x
3-Year Sales Growth	14.29%	10.86%
Estimated 3-5 Yr EPS Growth	15.83%	12.00%
Price to Earnings (12 Month Forward)	36.35x	23.82x

Portfolio Diversification

Top Ten Holdings⁵

Top Holdings	%
AMAZON.COM INC	6.01
MICROSOFT CORP	5.41
APPLE INC	4.14
NVIDIA CORP	4.03
SERVICENOW INC	4.01
ALPHABET INC	3.42
ALIBABA GROUP HOLDING LTD	3.33
MASTERCARD INC	3.24
NEXTERA ENERGY INC	3.19
SALESFORCE.COM INC	2.85

Sector Weightings vs. S&P 500 Index⁶

Supplemental Performance Statistics

Supplemental Risk Statistics⁷

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Select U.S. Equity Fund	17.30	15.07	13.89	16.10
S&P 500 Index	17.49	14.76	13.19	15.01
Tracking Error (%)	3.85	4.65	4.06	6.02
Information Ratio⁸	0.36	-0.70	-0.90	-0.02
Beta	0.97	0.97	1.01	0.99
Sharpe Ratio				
Franklin Select U.S. Equity Fund	0.70	0.65	0.69	0.29
S&P 500 Index	0.61	0.88	1.00	0.32

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Serena Perin Vinton, CFA	29	29
Chris Anderson	8	15
Additional Resources		
Franklin US Equity Team		
Product Managers	Years with Firm	Years Experience
Renee Elizabeth Anderson, CFA	8	23

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

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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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 listed on the U.S. stock exchanges. 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: equity risk, concentration 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 Select U.S. Equity 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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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.

Effective 1 August 2018, Franklin U.S. Equity Fund was renamed Franklin Select U.S. Equity Fund. In addition, the Fund clarified its investment policy, but the Fund's investment objectives remained the same.

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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. The IBES 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.

5. 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.

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

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