

Fund Manager Report

Product Details¹

Fund Assets	\$436,339,947.11
Fund Inception Date	01/09/1994
Number of Issuers	47
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI China 10/40 Index-NR – Linked
Morningstar Category™	China Equity

Asset Allocation²

Percent of Total	%
Equity	99.17
Cash & Cash Equivalents	0.83
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 offices in China, Hong Kong or Taiwan, as well as in companies which derive the principal portion of their revenues from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan.

Performance Data^{3,4}

Performance Net of Management Fees as at 31/07/2020 (Dividends Reinvested) (%)⁵

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/09/1994)
A (acc) USD	9.70	22.38	17.29	24.23	10.47	10.01	4.92	5.43
Net of Sales Charge - A (acc) USD	4.21	16.26	11.42	18.02	8.60	8.90	4.38	5.22
MSCI China 10/40 Index-NR – Linked USD	8.86	17.32	10.52	21.47	6.46	8.67	7.67	-

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/09/1994)
A (acc) USD	9.70	22.38	17.29	24.23	34.81	61.18	61.68	293.32
Net of Sales Charge - A (acc) USD	4.21	16.26	11.42	18.02	28.07	53.12	53.59	273.65
MSCI China 10/40 Index-NR – Linked USD	8.86	17.32	10.52	21.47	20.66	51.61	109.35	-

The Inception Date for the A (acc) USD share class and A (acc) SGD share class is 01/09/1994 and 25/10/2007 respectively.

3. Effective 1 January 2020, the Fund's benchmark is the MSCI China 10/40 Index–NR–Linked. The benchmark performance shown is derived from a combination of the MSCI Golden Dragon Index from the Fund's inception to 28 February 2019, MSCI China Index from 1 March 2019 to 31 December 2019, and MSCI China 10/40 Index–NR from 1 January 2020 to the current reporting period.

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

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	GSX Techedu, Inc. Sponsored ADR Class A	Financials (Stock Selection)
	China Construction Bank Corporation Class H	Consumer Staples (Stock Selection)
	Luzhou Laojiao Company Limited Class A	Consumer Discretionary (Overweight)
HURT	Innovent Biologics, Inc.	Health Care (Stock Selection)
	Shimao Group Holdings Limited	Information Technology (Stock Selection)
	GDS Holdings Ltd. Sponsored ADR Class A	Materials (Stock Selection)

- In July, language-schools and online tutoring business GSX Techedu contributed to relative returns. Its share price has seen a significant rally since the initial fallout from a negative report by a short seller. GSX Techedu's management team refuted the short-seller's analysis. Further COVID-19 outbreaks, though well-contained, delayed school openings and may have enhanced demand for online tutoring.

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.

- Liquor producer Luzhou Laojiao also made substantial progress. The company's share price advanced despite a state-influenced newspaper criticising a major competitor's product, linking it to use in cases of bribery and graft. The stock had been outpaced by its peers in recent months, so the move represented a relative catch-up, in our view.
- In contrast, biotechnology firm Innovent Biologics detracted over the month. The company announced a discounted share sale during July to raise funds for a new production facility. We continue to like the long-term fundamentals of this business, but the stock had performed well in recent months, leaving it open to profit taking in July.

Outlook & Strategy

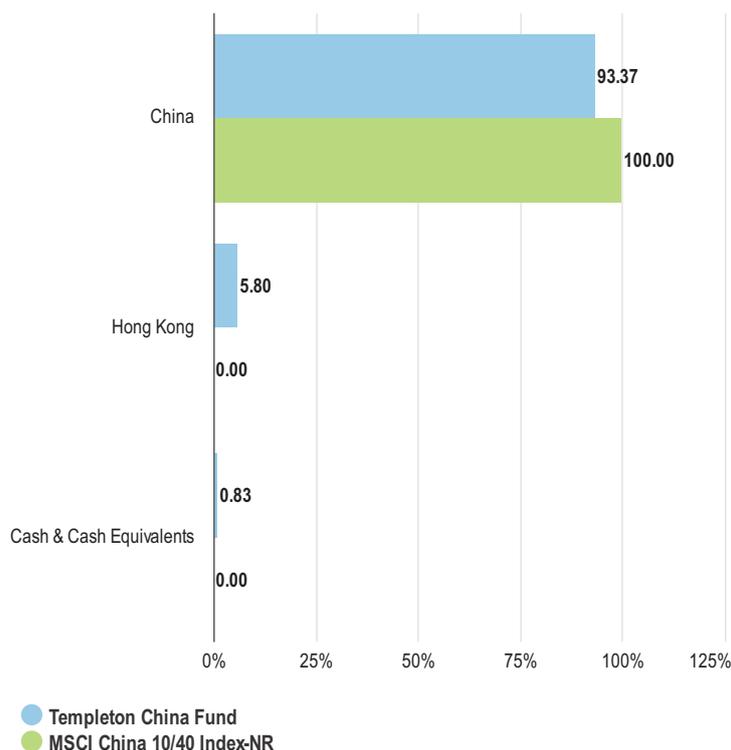
- While some countries are struggling with a second or even third wave of COVID-19 transmissions, others are seeing containment and the gradual reopening of economies. Consensus suggests that a potential vaccine is at least 12 to 18 months away and, in the interim, countries will need to start operating effectively again, whether from a health, social or governance perspective. The long-term and far-reaching economic consequences of lockdowns will also become clearer and need to be managed.
- In addition to the health crisis, we have also seen increasing geopolitical risk, with the long-standing friction between China and the United States returning to the forefront. The nature of US-China relations has changed at both the political and economic levels. The US administration's view of China as a rival superpower has brought about a different policy stance: the current administration is taking a sharper approach than before, which is likely to persist. The US presidential election ahead in November also has had a huge effect on the country's rhetoric, which will likely remain heated as the election approaches. But once it has passed, and as a US economic recovery becomes clearer, we believe the tone should improve.
- In our view, geopolitical headlines are unlikely to derail China from its path to recovery. Recent stimulus measures, including sizable fiscal spending, should provide positive catalysts to the domestic recovery in the nearer term, not least because the country appears to have effectively managed the COVID-19 crisis so far, in our view. We believe this should stand China in good stead, relative to other countries, as and when the negative economic impacts of the pandemic crisis dissipate globally. The government did not set an explicit growth target for China's economy for 2020 due to the high level of uncertainty around the pandemic and global situation, but the country returned to annualised economic growth in the second quarter, following the first-quarter's contraction.
- Geopolitical risks are par for the course for emerging-market investors. While we continually factor these considerations into our investment decisions, of far greater importance are company fundamentals and earnings sustainability, as well as the irrefutable combination of demographics and long-term growth potential. Our priority remains long-term themes such as consumption, premiumisation, digitalisation, market consolidation, health care and technology.

Portfolio Characteristics^{6,7}

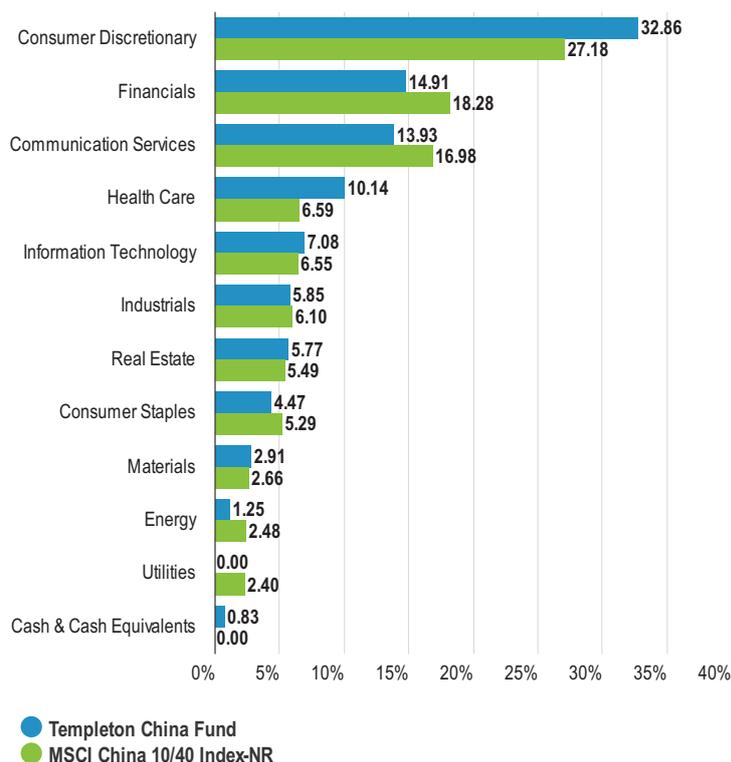
	Portfolio	MSCI China 10/40 Index-NR
Price to Earnings (12-Month Trailing)	17.81x	17.49x
Price to Book	2.98x	2.46x
Price to Cash Flow	7.33x	9.86x
Market Capitalisation (Millions in USD)	202,553	183,125
Dividend Yield	1.70%	1.44%

Portfolio Diversification

Geographic Weightings vs. MSCI China 10/40 Index-NR⁸
Percent of Total



Sector Weightings vs. MSCI China 10/40 Index-NR⁸
Percent of Total



Top Ten Holdings⁹

Percent of Total

Top Holdings	Sector	Country	%
ALIBABA GROUP HOLDING LTD	Retailing	China	10.05
TENCENT HOLDINGS LTD	Media & Entertainment	China	9.81
TEMPLETON CHINA A SHARES FUND	Diversified Financials	Hong Kong	5.12
NEW ORIENTAL EDUCATION & TECH GROUP INC	Consumer Services	China	3.86
MEITUAN DIANPING	Retailing	China	3.66
CHINA LIFE INSURANCE CO LTD	Insurance	China	3.43
WUXI BIOLOGICS CAYMAN INC	Pharmaceuticals, Biotechnology & Life Sciences	China	3.07
ANTA SPORTS PRODUCTS LTD	Consumer Durables & Apparel	China	3.01
JD.COM INC	Retailing	China	3.00
CHINA MERCHANTS BANK CO LTD	Banks	China	2.90

Supplemental Performance Statistics

Supplemental Risk Statistics¹⁰

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton China Fund	18.42	18.03	18.45	23.65
MSCI China 10/40 Index-NR – Linked	19.81	18.83	18.14	-
Tracking Error (%)	5.70	5.39	5.79	-
Information Ratio¹¹	0.70	0.25	-0.47	-
Beta	0.89	0.92	0.97	-
Sharpe Ratio				
Templeton China Fund	0.48	0.49	0.24	0.13
MSCI China 10/40 Index-NR – Linked	0.24	0.40	0.39	-

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Lai, CFA, Senior Vice President	<1	30
Eric Mok, CFA, Senior Vice President	22	22

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 Chinese equity securities. Such securities 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: 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.

10. Beta, Information Ratio and Tracking Error information are measured against the MSCI China 10/40 Index-NR – Linked.

11. 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).

Important Legal Information

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

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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.

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5. 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.

6. 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.

7. 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.**

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

9. 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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