

Product Details¹

Fund Assets	\$529,544,433.55
Fund Inception Date	18/10/2007
Number of Issuers	82
Bloomberg	TEMCACU LX
ISIN	LU0300738514
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI Emerging Markets Small Cap Index
Morningstar Category™	Global Emerging Markets Small/Mid-Cap Equity

Asset Allocation²

Percent of Total	%
Equity	95.59
Cash & Cash Equivalents	4.41
Fixed Income	0.00

Overall Morningstar Rating™³

Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities and depository receipts of small-cap companies registered or performing a substantial part of their business in emerging markets or holding a substantial part of their participations in small-cap companies registered in emerging markets. Emerging markets small cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index).

Performance Data
Performance Net of Management Fees as at 31/07/2020 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (18/10/2007)
A (acc) USD	6.56	21.95	-8.46	-10.04	-4.77	0.39	3.08	0.30
Net of Sales Charge - A (acc) USD	1.24	15.85	-13.04	-14.54	-6.38	-0.64	2.55	-0.10
MSCI Emerging Markets Small Cap Index USD	9.35	22.08	-4.47	1.50	-0.86	2.35	2.29	0.91

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (18/10/2007)
A (acc) USD	6.56	21.95	-8.46	-10.04	-13.63	1.96	35.46	3.90
Net of Sales Charge - A (acc) USD	1.24	15.85	-13.04	-14.54	-17.95	-3.14	28.69	-1.30
MSCI Emerging Markets Small Cap Index USD	9.35	22.08	-4.47	1.50	-2.57	12.33	25.40	12.30

Portfolio Manager Insight
Performance Review
ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Merida Industry Co., Ltd.	Information Technology (Stock Selection)	Taiwan (Stock Selection)
	Novatek Microelectronics Corp.	Real Estate (Underweight)	Saudi Arabia (Stock Selection)
	FIT Hon Teng Limited	Utilities (Lack of Exposure)	Greece (Lack of Exposure)
HURT	Health and Happiness (H&H) International Holdings Limited	Health Care (Stock Selection)	South Korea (Stock Selection)
	Primax Electronics Ltd.	Consumer Staples (Stock Selection)	China (Stock Selection)
	Hoa Phat Group JSC	Industrials (Stock Selection)	Vietnam (Off-benchmark Exposure)

- China-based consumer health business Health & Happiness (H&H) International hampered relative returns in July, amidst fresh COVID-19 outbreaks and tighter movement restrictions in Australia, one of its key markets. However, we believe that the pandemic may have added to the long-term growth potential for this business amidst rising awareness of health issues.
- Hoa Phat Group, a Vietnam-based steelmaker, detracted. Despite reporting a year-on-year rise in quarterly net profit and revenue, the company's share price declined slightly over the month, following the broader Vietnam market lower as a new wave of COVID-19 infections raised concerns.

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.

- In contrast, Taiwan-based bicycle manufacturer Merida added to relative returns. We like the company given our view on the favourable trends in the industry, including the e-bike boom. Its share price has also received a boost as sentiment towards the stock has strengthened amidst the COVID-19 pandemic given the health and social distancing advantages of cycling.

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.
- Geopolitical risks are par for the course for EM 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. However, we remain watchful to ensure the business models of the fund’s EM small-cap holdings remain robust, given the current difficult conditions. Although we could continue to see volatility in earnings forecasts in the coming months, we believe that our focus on companies’ long-term sustainable earnings power should help us better navigate this period.

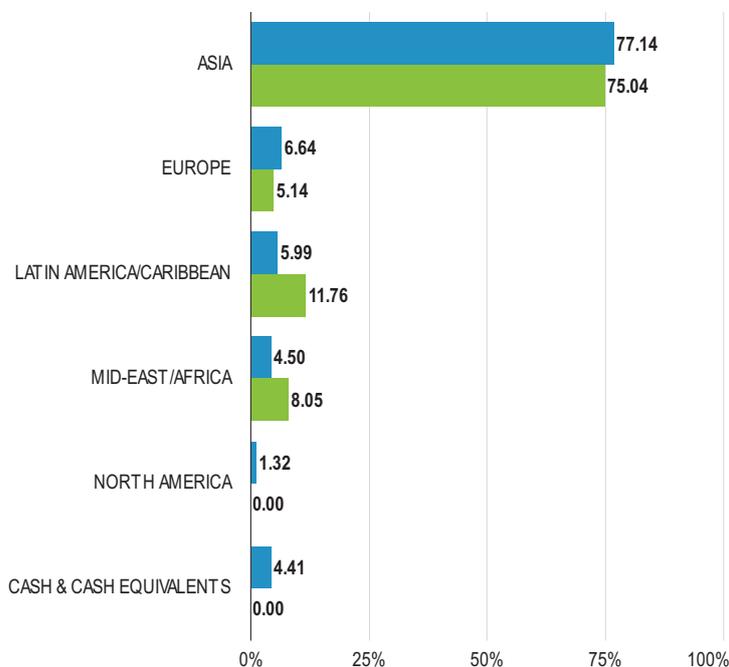
Portfolio Characteristics^{5,6}

	Portfolio	MSCI Emerging Markets Small Cap Index
Price to Earnings (12-Month Trailing)	13.01x	19.53x
Price to Book	1.69x	1.30x
Price to Cash Flow	7.07x	9.00x
Market Capitalisation (Millions in USD)	2,271	798
Dividend Yield	3.20%	2.50%

Portfolio Diversification

Geographic Weightings vs. MSCI Emerging Markets Small Cap Index⁷

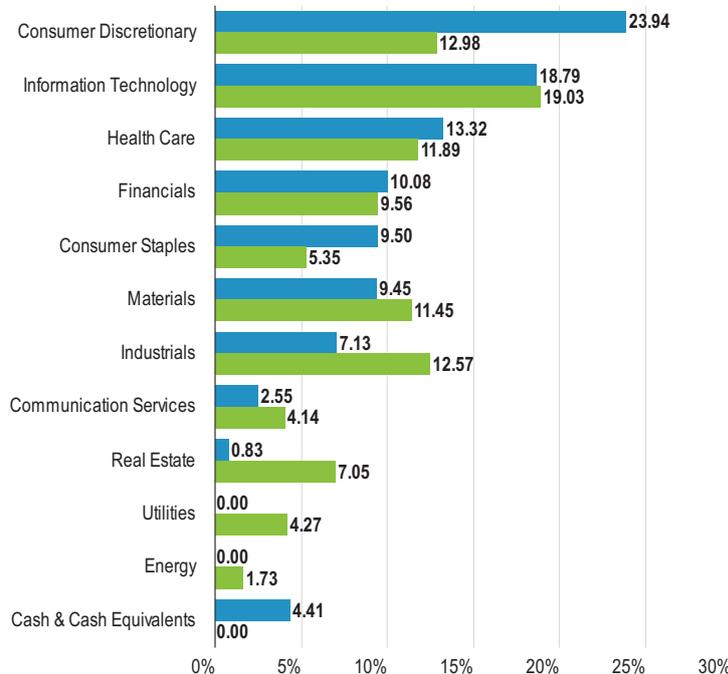
Percent of Total



● Templeton Emerging Markets Smaller Companies Fund
● MSCI Emerging Markets Small Cap Index

Sector Weightings vs. MSCI Emerging Markets Small Cap Index⁷

Percent of Total



● Templeton Emerging Markets Smaller Companies Fund
● MSCI Emerging Markets Small Cap Index

Top Ten Holdings⁸

Percent of Total

Top Holdings	Sector	Country	%
MERIDA INDUSTRY CO LTD	Consumer Durables & Apparel	Taiwan	5.42
NOVATEK MICROELECTRONICS CORP	Semiconductors & Semiconductor Equipment	Taiwan	4.67
BAJAJ HOLDINGS & INVESTMENT LTD	Diversified Financials	India	4.08
HEALTH & HAPPINESS H&H INTERNATIONAL HOLDINGS LTD	Food, Beverage & Tobacco	China	3.23
BAOZUN INC	Retailing	China	2.74
RICHTER GEDEON NYRT	Pharmaceuticals, Biotechnology & Life Sciences	Hungary	2.67
HUAMI CORP	Technology Hardware & Equipment	China	2.30
MOUWASAT MEDICAL SERVICES CO	Health Care Equipment & Services	Saudi Arabia	2.19
PRIMAX ELECTRONICS LTD	Technology Hardware & Equipment	Taiwan	2.18
XINYI SOLAR HOLDINGS LTD	Semiconductors & Semiconductor Equipment	China	2.15

Supplemental Performance Statistics**Supplemental Risk Statistics⁹**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Emerging Markets Smaller Companies Fund	21.09	18.37	18.12	23.50
MSCI Emerging Markets Small Cap Index	21.72	19.21	18.58	24.14
Tracking Error (%)	5.50	5.39	5.56	6.03
Information Ratio¹⁰	-0.71	-0.36	0.14	-0.08
Beta	0.94	0.92	0.93	0.94
Sharpe Ratio				
Templeton Emerging Markets Smaller Companies Fund	-0.30	-0.04	0.14	-0.02
MSCI Emerging Markets Small Cap Index	-0.11	0.06	0.09	0.00

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA	25	28
Vikas Chiraneval, CFA	14	16
Krzysztof Musialik, CFA	14	14
Templeton Emerging Markets Team	Number of Members	Average Years Experience
Portfolio Managers/Analysts	5	18

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 the equity securities of smaller companies in emerging markets. 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 considerably over time. 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.

9. Beta, Information Ratio and Tracking Error information are measured against the MSCI Emerging Markets Small Cap Index.

10. 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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Important Legal Information

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

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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. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

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

8. 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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