



# FRANKLIN TEMPLETON INVESTMENTS

## Templeton Euroland Fund–A (acc) EUR

Value  
Equity  
28 February 2019

Franklin Templeton Investment Funds

### Fund Manager Report

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

Fund Assets	€584,663,547.42
Fund Inception Date	08/01/1999
Number of Issuers	53
Bloomberg	TEMGROA LX
Base Currency	EUR
Investment Style	Value
Benchmark	MSCI EMU Index
Morningstar Category™	Eurozone Large-Cap Equity

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

Percent of Total	%
Equity	99.63
Cash & Cash Equivalents	0.37
Fixed Income	0.00

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



#### Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity and debt securities of European Monetary Union member country governments and companies with at least 75% of its total assets in equity securities issued by companies which have their head office in the European Union.

#### 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 (08/01/1999)
A (acc) EUR	4.81	2.68	10.99	-9.64	6.74	3.34	9.67	4.08
Net of Sales Charge - A (acc) EUR	-0.43	-2.45	5.44	-14.16	4.93	2.29	9.11	3.81
MSCI EMU Index EUR	3.95	4.04	10.53	-2.08	8.47	5.62	10.76	3.91

##### Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/01/1999)
A (acc) EUR	4.81	2.68	10.99	-9.64	21.61	17.87	151.64	123.63
Net of Sales Charge - A (acc) EUR	-0.43	-2.45	5.44	-14.16	15.53	11.97	139.06	112.45
MSCI EMU Index EUR	3.95	4.04	10.53	-2.08	27.62	31.45	177.70	116.51

#### Portfolio Manager Insight

##### Performance Review

##### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	UniCredit S.p.A.	Financials (Stock Selection)	Netherlands (Overweight)
	Intertrust NV	Materials (Stock Selection)	Italy (Stock Selection)
	Azimut Holding Spa	Information Technology (Stock Selection)	Ireland (Stock Selection)
Hurt	Flow Traders NV	Health Care (Overweight)	Belgium (Stock Selection)
	UCB S.A.	Consumer Staples (Stock Selection)	Denmark (Off-benchmark Exposure)
	MorphoSys AG	Industrials (Underweight)	—

- While the European banking sector in general faces regulatory and political challenges specific to the region, we have been encouraged by efforts to improve balance sheets, cost profiles and operational strategies. Consequently, we continue to believe that the recent depressed valuations offer considerable upside potential in the intermediate term.
- Stock selection in the health care sector detracted from relative results in February. Trading at month-end near cyclical lows on relative price-to-free cash flow—and with an average dividend yield close to the yield on 10-year US Treasuries; a defensive, counter-cyclical demand profile; and solid growth prospects from organic innovation and demographic demand—the health care sector has continued to offer attractive long-term bargains, in our view.
- In the materials sector, we have seen some renewed opportunities amongst construction materials firms that have declined amidst cyclical concerns. Select chemicals stocks offer idiosyncratic opportunities to own high-quality businesses, in our view. In mining, we have used reflationary tailwinds to sell out of industrial metals producers and rotate into select precious metals firms featuring what we view as cheap valuations, strong balance sheets and defensive characteristics.

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

**Outlook & Strategy**

- European economic indicators have turned somewhat lacklustre, reducing confidence that the economy will bounce back from last year’s summer lull as strongly as initially expected. Political events will likely have considerable influence on the direction of economic growth, financial market performance and investor sentiment in 2019. The potential for a “hard” Brexit has eased given the increased likelihood of a delay, but it remains a potential negative risk during this year. Progress on a US-China trade agreement could be a positive event that appears increasingly likely.
- The European Central Bank’s (ECB’s) announcement of new financial stimulus in the form of more low-rate loans to banks and its intention to hold off on raising interest rates until 2020 should provide some support to market sentiment and economic activity. However, the moves signal that economic conditions in Europe have deteriorated further than the ECB had expected, which could translate into more financial market volatility. In our view, 2019 should favour prudent stock pickers with a disciplined approach.
- From a sector perspective, our portfolio is currently overweight companies in financial services, with a greater focus on insurance companies compared to banks. The portfolio is underweight health care and consumer staples, as despite the market selloff in late 2018 we have not found attractive opportunities in those areas yet.
- The value style has been out of favour for the past decade, but we remain committed to our approach. Over the long term, we believe that a bottom-up stock picking process based on fundamental analysis will reward investors, while market dislocations offer opportunities to acquire companies in attractive end markets trading at valuation levels that offer downside protection.
- Over the past year, we have seen an increase in activism in European companies, which we view as encouraging. We believe our approach to actively engaging with management teams and our long-term approach to investing with a disciplined focus on valuation will serve our shareholders well over the long term.

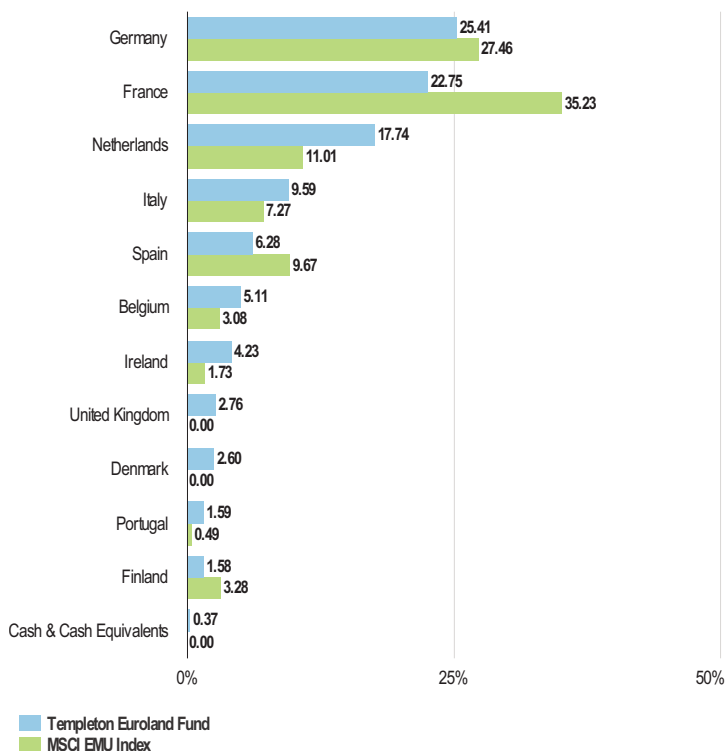
**Portfolio Characteristics<sup>5,6</sup>**

	Portfolio	MSCI EMU Index
Price to Earnings (12-Month Trailing)	14.38x	14.41x
Price to Book	1.44x	1.56x
Price to Cash Flow	7.66x	8.44x
Market Capitalisation (Millions in EUR)	32,705	47,693
Dividend Yield	3.29%	3.45%

**Portfolio Diversification**

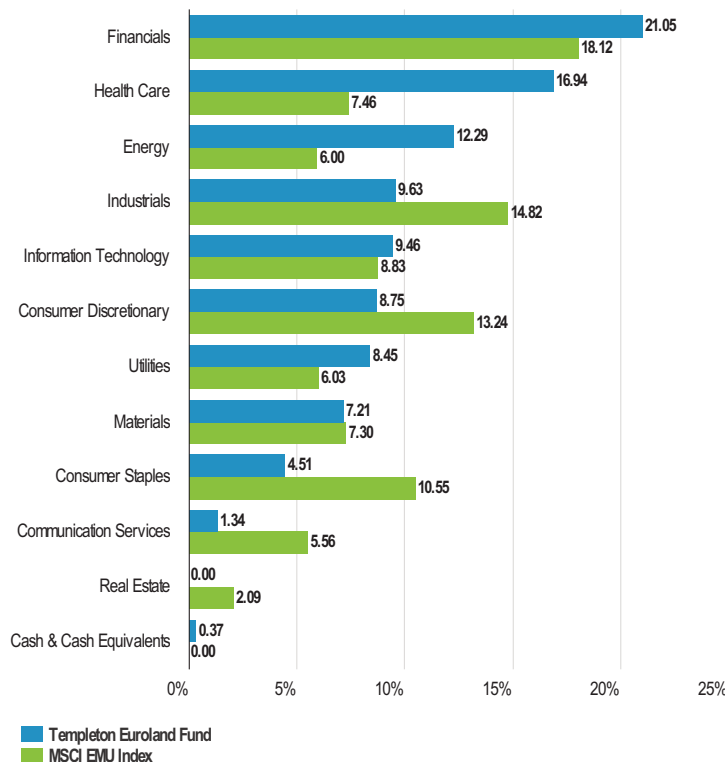
**Geographic Weightings vs. MSCI EMU Index<sup>2</sup>**

Percent of Total



**Sector Weightings vs. MSCI EMU Index<sup>2</sup>**

Percent of Total



**Top Ten Holdings<sup>7</sup>**

Percent of Total

Top Holdings	Sector	Country	%
TOTAL SA	Energy	France	2.86
ENI SPA	Energy	Italy	2.82
ROYAL DUTCH SHELL PLC	Energy	United Kingdom	2.76
SANOFI	Pharmaceuticals, Biotechnology & Life Sciences	France	2.73
UCB SA	Pharmaceuticals, Biotechnology & Life Sciences	Belgium	2.72
BNP PARIBAS SA	Banks	France	2.64
ORSTED A/S	Utilities	Denmark	2.60
ING GROEP NV	Banks	Netherlands	2.55
AXA SA	Insurance	France	2.53
MERCK KGAA	Pharmaceuticals, Biotechnology & Life Sciences	Germany	2.51

**Supplemental Performance Statistics****Supplemental Risk Statistics<sup>8</sup>**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Templeton Euroland Fund	11.99	13.52	14.50	15.74
MSCI EMU Index	11.57	13.39	15.30	17.50
<b>Tracking Error (%)</b>	4.47	4.51	4.42	6.78
<b>Information Ratio<sup>9</sup></b>	-0.41	-0.51	-0.24	0.04
<b>Beta</b>	0.94	0.93	0.90	0.83
<b>Sharpe Ratio</b>				
Templeton Euroland Fund	0.62	0.28	0.67	0.17
MSCI EMU Index	0.79	0.46	0.71	0.13

**Investment Team**

Portfolio Manager	Years with Firm	Years Experience
Dylan Ball, EVP, Portfolio Manager, Research Analyst	11	19
Heather Arnold, CFA, EVP, Director of Research, Portfolio Manager, Research Analyst	14	35
Peter Moeschter, CFA, EVP, Portfolio Manager, Research Analyst	21	26
Templeton Global Equity Team	Number of Members	Average Years Experience
Portfolio Managers/Analysts	22	24
Research Analysts	12	11

**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 euroland countries. 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: currency risk, 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.

8. Beta, Information Ratio and Tracking Error information are measured against the MSCI EMU Index.

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

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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. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
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.
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9. 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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