

Templeton Emerging Markets Fund

Fund Profile

Fund Details

Inception Date	28 February 1991
Investment Style	Core Value
Benchmark(s)	MSCI Emerging Markets Index



Chetan Sehgal, CFA
Senior Managing Director
Director of Portfolio
Management
Portfolio Manager



Andrew Ness, ASIP
Portfolio Manager

FUND OBJECTIVE

Templeton Emerging Markets Fund (the “Fund”) seeks capital appreciation by investing primarily in equity securities, and as an ancillary matter in debt obligations, issued by corporations incorporated or having their principal business activities in, and governments of, developing or emerging nations.

As one of the pioneers in emerging markets investing, Templeton’s investment philosophy of value, patience, bottom-up emerging markets investing has remained consistent over time.

WHY CONSIDER THIS FUND

A pioneer in emerging markets investing.

Recognising the profound political and structural changes occurring in emerging markets, Franklin Templeton Emerging Markets Equity (FTEME) introduced the industry’s first closed end fund dedicated solely to emerging markets, Templeton Emerging Markets Fund, in 1987¹.

Managed by an experienced team.

FTEME adheres to the same time-tested investment philosophy established by Sir John Templeton over 70 years ago.

Backed by extensive emerging markets resources.

FTEME keeps an active presence in local markets with a team of over 80 dedicated investment professionals² located across 22 offices around the world—helping them maintain a first-hand understanding of the economic trends of their respective regions.

Researching capable emerging markets companies for long-term growth.

We invest with a long-term view in emerging market economies that we believe are undervalued, fundamentally strong, growing, and capable of weathering difficult times. We look at a wide range of criteria to evaluate emerging markets economies, including earnings prospects, return on capital, margins, asset value, growth and cash flow.

1. Templeton Emerging Markets Fund is a closed-end fund whose shares are traded on a stock exchange and are not offered to the public by Franklin Templeton Distributors, Inc. This fund is neither registered nor available for distribution in Luxembourg and is mentioned for indicative purposes only.

2. Investment professionals include research analysts, portfolio managers, directors and CIO.

INVESTMENT PHILOSOPHY & PROCESS

Founded in 1940, Templeton's investment philosophy is built upon a disciplined, yet flexible, long-term value-oriented approach. As it is applied to emerging markets investing, it is based on three tenets that we believe are critical to successful long-term investing: value, patience, and bottom-up stock selection.

Value: We seek to identify the underlying worth of a business and determine what that company's assets can generate in earnings and cash flow. We put all of our research efforts into identifying stocks trading at a discount to what our research indicates the company is worth. As long-term, valuation-driven investors, we focus on normalised earnings to seek out compelling opportunities in all sectors and markets around the globe.

Patience: Stock markets are often short-sighted and affected by sentiment, which creates short-term distortions in share prices. Templeton's long-term focus allows us to look past short-term market noise and identify the fundamental value of a stock. Through our strong research, we determine what a company is worth and patiently wait for the opportunity to purchase it at bargain levels. The depth of our research also gives us the conviction to wait for the market to reflect the fair value of a stock once it is added to our portfolios.

Bottom-up: We conduct comprehensive, rigorous fundamental analysis to assess a company's long-term prospects and catalysts for value recognition. Templeton's commitment to original research drives our process to uncover opportunities wherever they may exist.

Templeton's investment process consists of five steps:

Step 1: Identify Potential Bargains

Templeton's unconstrained search for value allows us to identify bargains wherever they exist. Quantitative screening, qualitative assessment and the deep experience of our analysts narrow the investable universe down to a group of securities that merit closer analysis. Our best screen is our experience.

Step 2: In-Depth Fundamental Analysis

At Templeton, in-depth fundamental analysis is the foundation of our investment process. Our analysts are primarily regional/country experts with comprehensive knowledge in every aspect of their respective areas of coverage. In addition, dedicated sector research analysts are responsible for primary stock research within key, globally-oriented sectors, as well as macro views on trends and the competitive landscape within those sectors.

Templeton analysts conduct rigorous fundamental security analysis on all potential investment ideas to determine if the stock is trading at a substantial discount to what our research indicates the company is worth over a normalised five-year

investment horizon. The analysis includes a detailed examination of the company's financial statements, particularly factors such as price-to-earnings, price-to-cash flow, debt/equity, price-to-book and dividend yield, in addition to market capitalisation and liquidity criteria. We also evaluate a company's competitive position relative to its peers, as well as its management quality, ownership structure, corporate governance, and commitment to creating shareholder value. The latter is accomplished largely through 850-1,000 research visits per year, which includes meetings with company management, competitors, suppliers and customers.

When analysing investment ideas, we utilise normalised earnings to capture a company's prospects over a full business cycle. Analysts formulate a detailed assessment of trends and analyse cash flow and asset value potential over a long-term investment horizon. They examine a company's fair value based on projected future earnings and evaluate that estimate relative to the current stock price. When assessing the true fundamental value of a company, we are disciplined yet flexible. We adhere to strict and well-defined valuation criteria across all stocks, but our analysts use varying approaches and tools for finding value in different sectors. Through in-depth research, investment ideas are narrowed down to a group of viable Action List candidates. The Action List is the Emerging Markets Equity team's approved stock list, comprised of Strong Buy, Buy, Sell, and Hold-rated stocks.

The Action List comprises companies that have been determined by the FTEME to be mispriced by the market and the most undervalued relative to their business prospects. Templeton's collaborative culture ensures that each stock recommendation is thoroughly debated and critiqued.

The Action List is the entry point for all approved purchases and is distributed to all analysts and portfolio managers. Each stock on the Action List has a specified buy and sell target.

Step 3: Peer Review

Templeton's collaborative culture leverages the experience of the entire Emerging Markets Equity team to produce comprehensive research insights. While the research analyst has primary responsibility for stocks within the defined coverage universe, the analysis of every company includes a designated reviewer (backup analyst), sector analyst (where applicable), regional research team discussions, and portfolio managers who have exposure to the stock.

The analyst is responsible for the final stock recommendation after incorporating feedback from the peer review process. Oversight is provided by Manraj Sekhon, CIO of Emerging Markets Equity, and the directors that form the core leadership team. The team safeguards the research and investment process and sets the investment direction of the Emerging Markets Equity team.

Step 4: Portfolio Construction

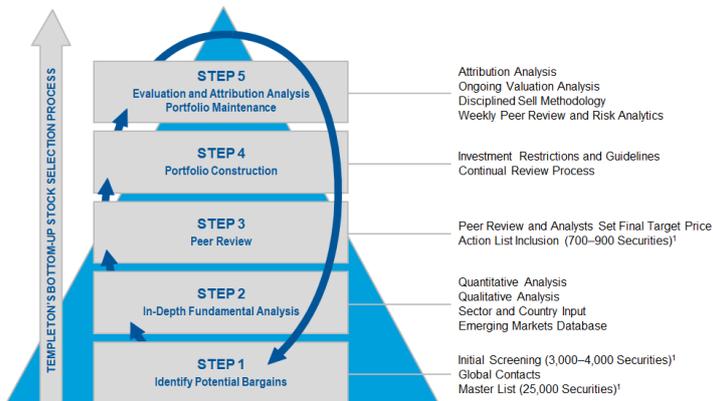
At Templeton, we believe that the best investment decisions draw on the collective knowledge of the entire research team. Original research is the foundation of our approach, and the portfolio construction process leverages the insights of all our portfolio managers/analysts within a disciplined framework.

The portfolio is built from the bottom up, on a stock-by-stock basis, with a consistent focus on long-term valuations and current yield. As we are concerned first and foremost with the pursuit of compelling valuations, we do not construct portfolios to match the characteristics of any specific benchmark. Our country and industry allocations are a result of the bottom-up stock selection process. Macro and sector insights developed by the strategist and the sector analysts are incorporated to strengthen portfolio awareness in terms of macro trends affecting the Emerging Markets investing landscape.

When selecting stocks, the portfolio manager has discretion but must do so within a disciplined, structured framework of controls designed to ensure consistency and diversification.

Step 5: Evaluation and Attribution Analysis, Portfolio Maintenance

Templeton actively manages our clients' portfolios to ensure they continually reflect our best thinking. This is accomplished through a team commitment to ongoing fundamental research and risk management. Several internal groups work closely with our portfolio managers to monitor portfolios and manage risk, and their strong input and support is critical to the portfolio management process.



PORTFOLIO CONSTRUCTION

Templeton does not use model portfolios. All portfolios are built from the approved stock list that comprises Templeton's Emerging Markets database. Portfolio managers select stocks from the Action List, which is comprised of companies our analysts believe are most undervalued relative to their longer-term business prospects. Each stock has an established valuation or price target that is set by the analyst responsible for recommending the security, and stocks are purchased only when the price is within this pre-set price range.

A stock is sold if:

- The security price exceeds our estimation of value,
- Greater value exists in another similar security, or
- A fundamental change occurs at a company to alter our forecasts.

All holdings are regularly reviewed to ensure that analyst recommendations are up-to-date and accurately reflect any changes in company fundamentals. In this way, our ongoing fundamental research drives all buy and sell decisions.

RISK MANAGEMENT

The Fund has specific investment guidelines and requirements that are set forth by the board of directors of Franklin Templeton Investment Funds and is reviewed on a quarterly basis to ensure that the risk management process is adhered to:

Stock Selection Constraints

Portfolio managers have the discretion in selecting stocks for the portfolio, but they must be within the approved stock list and general guidelines.

Asset Classes

The Fund invests primarily in equity securities issued by companies incorporated, or have their principal business activities in developing or emerging markets nations. However, the Fund may seek investment in other types of securities such as preferred stock, convertible securities and fixed income securities, both USD and non-USD denominated.

Country/Regional and Sector Limits

The Fund should invest at least 67% of its assets in securities and other investments to reflect the geographic region. There are no set limits on individual country or region. Emerging market countries include those currently considered to be developing by the World Bank, the International Finance Corporation, the United Nations, or the countries' authorities or countries with a stock market capitalisation of less than 3% of the Morgan Stanley Capital International World Index.

Min/Max Stock Positions

On average, the Fund will be invested in 50 to 100 positions at any given time. The average size of a position within the Fund is between 1% and 6%, with a flexible maximum of 10%.

Cash Policy

Portfolio managers intend to remain fully invested at all times with a maximum cash position of 10%.

Currency Policy

Portfolios are not actively hedged.

Capitalisation Limits

In general, there are no established minimum market-cap guidelines. However, for reason of liquidity, the team focuses on companies with at least US\$300 million in market capitalisation and US\$3 million in daily turnover.

Risk management is integrated into every aspect of the Fund's investment process. To ensure consistency, all portfolios are built within a structured framework of dynamic sector ranges and approved stock lists.

Templeton primarily focuses on three types of risk:

- Stock-specific risk is addressed primarily through the quality of Templeton's research. A disciplined sell methodology also helps to minimise stock-specific risk.
- Portfolio risk is addressed by creating fund portfolios that are well-diversified and benefit from Templeton's best thinking. Weekly peer reviews are conducted for the portfolio managers to review their positioning relative to their peers and internal guidelines, and to ensure that each portfolio continually reflects Templeton's best investment practices.
- Operational risk is minimised by the due diligence of the portfolio managers and the separation of all major investment and its related functions. A comprehensive system of checks and balances involving distinct and independent groups ensures that all investment guidelines and restrictions are strictly adhered to.

Additionally, market, political and economic risks are taken into account in both the stock research process by analysts who incorporate political, economic and currency factors into consideration when making financial forecasts and recommendations, as well as the portfolio construction stage through input and communications between the macro strategist/sector analysts and the portfolio managers.

PORTFOLIO MANAGEMENT TEAM

Franklin Templeton Emerging Markets Equity uses a team approach for the management of its emerging markets funds.

Franklin Templeton Emerging Markets Equity, with over 80 investment professionals, is spread across 22 emerging markets offices, providing opportunities to meet local resources and contacts to advocate for investors' best interests.



Chetan Sehgal, CFA

Senior Managing Director
Director of Portfolio Management
Franklin Templeton Emerging Markets Equity

Chetan Sehgal is a senior managing director and the director of portfolio management for the Franklin Templeton Emerging Markets Equity. In this capacity, he is responsible for strengthening the overall Global Emerging Markets and Small Cap strategies, providing guidance and thought leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across products within the strategies.

Prior to joining Franklin Templeton in 1995, Mr. Sehgal was a senior ratings analyst for the Credit Rating Information Services of India, Ltd.

Mr. Sehgal earned a B.E. mechanical (honors) from University of Bombay and a post-graduate diploma in management from the Indian Institute of Management in Bangalore, where he specialized in finance and business policy and graduated as an institute scholar. Mr. Sehgal speaks English and Hindi and is a Chartered Financial Analyst (CFA) charterholder.



Andrew Ness, ASIP

Portfolio Manager
Franklin Templeton Emerging Markets Equity

Andrew Ness is co-manager of Templeton Emerging Markets Investment Trust.

Prior to joining Franklin Templeton in September 2018, Andrew was as a Portfolio Manager at Martin Currie, an Edinburgh based asset manager. He began his career at Murray Johnstone in 1994 and also worked with Deutsche Asset Management in both London and New York before joining Scottish Widows Investment Partnership in 2007.

Mr Ness holds a B.A. (Hons) in Economics and an MSc in Business Economics from the University of Strathclyde in the UK. He is an Associate Member of the UK Society of Investment Professionals and a member of the CFA Institute.

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 emerging markets around the world, which 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 time. Other significant risks include: emerging markets risk, currency risk, liquidity risk, operational risk, Shanghai-Hong Kong Stock Connect risk, Shenzhen-Hong Kong Stock Connect risk. For full details of all 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.

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This document is intended to be of general interest only and does not constitute legal or tax advice nor is it an offer for shares or invitation to apply for shares of the Luxembourg-domiciled SICAV Franklin Templeton Investment Funds (the “Fund”). Nothing in this document should be construed as investment advice.

Subscriptions to shares of the Fund can only be made on the basis of the current prospectus of the Fund, and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter.

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. **Past performance is not an indicator or a guarantee of future performance.** Currency fluctuations may affect the value of overseas investments. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations.

An investment in the Fund entails risks which are described in the Fund’s prospectus and, where available, in the relevant Key Investor Information Document. In emerging markets, the risks can be greater than in developed markets.

No shares of the Fund may be directly or indirectly offered or sold to nationals or residents of the United States of America. Shares of the Fund are not available for distribution in all jurisdictions and prospective investors should confirm availability with their local Franklin Templeton representative before making any plans to invest.

Please consult your financial advisor before deciding to invest. A copy of the latest prospectus, and if available for this product the Key Investor Information Document, the annual report and semi-annual report, if published thereafter can be found, on our website www.ftidocuments.com or can be obtained, free of charge, from Franklin Templeton International Services S.à r.l. - Supervised by the Commission de Surveillance du Secteur Financier - 8A, rue Albert Borschette, L-1246 Luxembourg - Tel: +352-46 66 67-1 - Fax: +352-46 66 76.

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