

Fund Commentary

Performance Review

- Continued economic growth and robust corporate earnings globally supported investor sentiment in October. Emerging market (EM) equities rose, although monetary policy tightening in several countries kept the asset class behind developed market stocks.
- For the month, the fund's A (Ydis) USD shares returned 2.70%, and its benchmark, the MSCI Emerging Markets Index-NR, returned 0.99%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	ICICI Bank Limited	Financials (Stock Selection)	China (Stock Selection)
	Daqo New Energy Corp Sponsored ADR	Information Technology (Stock Selection)	India (Stock Selection)
	NAVER Corp.	Health Care (Stock Selection, Underweight)	Taiwan (Stock Selection)
HURT	Samsung Electronics Co., Ltd.	Materials (Stock Selection)	South Korea (Overweight)
	China Resources Cement Holdings Limited	Consumer Discretionary (Underweight)	Brazil (Overweight)
	Keshun Waterproof Technologies Co., Ltd. Class A	—	Saudi Arabia (Lack of Exposure)

- Shares of ICICI Bank advanced. The Indian private-sector lender's quarterly earnings surged, thanks to strong loan growth and increased margins. We believe that ICICI Bank's healthy capital buffer, strong deposit franchise and risk-conscious practices have enabled it to weather the pandemic well, which could position it for market share gains as the crisis recedes. We also expect structural changes within the bank to drive its pursuit of sustainable and profitable growth over the longer run.
- Daqo New Energy's stock rallied. China-based Daqo produces polysilicon, a major raw material for solar energy products. The company's quarterly earnings climbed on the back of higher polysilicon prices and margins. We expect a clean energy push globally to support polysilicon demand, whilst supply could remain tight. Daqo stands out to us for its cost competitiveness in the polysilicon industry.
- Shares of South Korean semiconductor and consumer electronics company Samsung Electronics fell. A soft near-term market outlook for memory chip demand and prices weighed on the stock, even though the company's quarterly profit increased. We continue to expect healthy longer-term demand for memory chips. In addition, tight supply in foundry capacity should benefit Samsung.

Outlook & Strategy

- Signs of the COVID-19 Delta outbreak potentially peaking in some countries, along with continued economic reopenings and accelerating vaccine rollouts, have supported the global economic recovery. Although some EMs have tightened monetary policies amidst rising inflationary pressures, we believe that accommodative monetary conditions in most markets should continue to provide a conducive environment for global equities. EMs, in particular, offer an attractive investment opportunity from our point of view.
- EM equities have traded at a discount to the developed world despite their strong growth potential. Valuations in Eastern Europe and Latin America look especially compelling—not just on an absolute basis, but also relative to their own history. Brazil and other Latin American countries are rich in natural resources and are likely to benefit from a commodity boom taking place amidst the recovery from the pandemic. Similarly, countries in Eastern Europe—primarily Russia—are key producers of commodities such as oil, nickel and aluminium. In China, ongoing regulatory changes in the internet and other industries have led to lower market valuations.
- Cash flows are another reason why we remain positive on EMs. In the last decade, free cash flows have been improving (in both absolute terms and relative to developed markets), and the trend has accelerated in the last year. EM companies have generated more free cash flows because commodity-oriented and technology-oriented companies have been doing well. As cash flows increase, we believe this could help propel stock reratings.
- We also view innovation as a key driver behind globally competitive companies in EMs. We are drawn to technology leaders with sustainable competitive advantages in areas such as semiconductors and e-commerce. We are also invested in consumer-related companies tapping growth opportunities amidst rising incomes and urbanisation in EMs.

Fund Details

Inception Date	28/02/1991
Benchmark	MSCI Emerging Markets Index-NR

Fund Description

Long-term capital growth by investing mainly in equity securities of emerging market companies, or those companies which derive a significant proportion of their revenues or profits from emerging economies.

Performance Data^{1,2}

Discrete Annual Performance (%) as at 31/10/2021

	10/20-10/21	10/19-10/20	10/18-10/19	10/17-10/18	10/16-10/17
A (Ydis) USD	13.48	9.67	15.52	-15.32	29.78
MSCI Emerging Markets Index-NR USD	16.96	8.25	11.86	-12.52	26.45

Performance Net of Management Fees as at 31/10/2021 (Dividends Reinvested) (%)^{a,b}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (28/02/1991)
A (Ydis) USD	2.70	-2.02	-2.17	13.48	12.86	9.58	3.92	5.27
MSCI Emerging Markets Index-NR	0.99	-0.49	-0.27	16.96	12.30	9.40	4.88	8.16

Investment Team

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 Years with Firm 26
 Years Experience 29

Andrew Ness
 Years with Firm 3
 Years Experience 26

1. MSCI Emerging Markets Index-NR reflects performance of the MSCI Emerging Markets Index (gross returns) from fund inception through 31 December 2000 and the MSCI Emerging Markets Index-NR thereafter.

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

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, foreign currency 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.

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References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

An index is unmanaged and one cannot invest directly in an index. The performance of the index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund.

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a. Source for all information is Franklin Templeton. Benchmark related data provided by FactSet. Past performance is not an indicator or a guarantee of future performance. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.

b. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.



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