

Fund Manager Report

Product Details¹

Fund Assets	\$56,972,510.32
Fund Inception Date	16/06/2008
Number of Issuers	43
Bloomberg	FTMNAUS LX
ISIN	LU0352132103
Base Currency	USD
Investment Style	Blend
Benchmark	Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%
Morningstar Category™	Africa & Middle East Equity

Asset Allocation^a

Percent of Total	%
Equity	99.84
Cash & Cash Equivalents	0.16
Fixed Income	0.00

Overall Morningstar Rating™^b



Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities of companies across the entire market capitalisation spectrum in the Middle East and North Africa (MENA) region, including, but not limited to Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates.

Performance Data^c

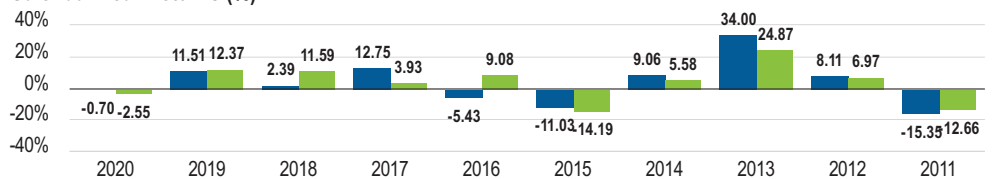
Discrete Annual Performance (%) as at 30/09/2021

	9/20-9/21	9/19-9/20	9/18-9/19	9/17-9/18	9/16-9/17
A (acc) USD	31.59	-9.10	8.51	4.11	22.01
Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% USD	33.83	-3.72	6.66	11.75	13.73

Performance Net of Management Fees as at 30/09/2021 (Dividends Reinvested) (%)^{d,e}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (16/06/2008)
A (acc) USD	-0.35	4.91	19.94	31.59	9.08	10.52	7.48	-1.18
Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%	1.42	7.75	26.56	33.83	11.18	11.80	7.77	1.32

Calendar Year Returns (%)



● A (acc) USD

● Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%

Past performance is not an indicator or a guarantee of future performance.

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

Portfolio Manager Insight

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Arabian Internet and Communications Services Company	Information Technology	Saudi Arabia (Stock Selection)
	Leejam Sports Co.	Financials	Qatar (Stock Selection)
	Qatar Aluminium Manufacturing Company	Energy	Jordan (Lack of Exposure)
HURT	Aramex (P.J.S.C)	Consumer Discretionary (Overweight)	Kuwait (Stock Selection)
	Human Soft Holding Co. KSCC	Industrials (Stock Selection)	United Arab Emirates (Stock Selection)
	Cleopatra Hospital Company	Materials (Stock Selection, Underweight)	Egypt (Stock Selection)

- Stock selection in Kuwait detracted from relative performance. A position in education business Human Soft detracted over the period, whilst not holding National Bank of Kuwait was also a negative for returns, as its shares advanced.
- In the United Arab Emirates (UAE), stock selection also hindered returns. Amongst the detractors were logistics business Aramex and Emaar Properties.
- At the end of the quarter, Saudi Telecom undertook the initial public offering (IPO) of its internet business Arabian Internet and Communication Services. The fund participated in the IPO and benefitted as shares in Arabian Internet and Communication Services advanced.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Arabian Internet and Communications Services Company	Information Technology	Qatar (Stock Selection)
	Alpha Dhabi Holding PJSC (Not in Portfolio)	Communication Services (Underweight)	Jordan (Lack of Exposure)
	Qatar Aluminium Manufacturing Company	—	—
HURT	Aramex (P.J.S.C)	Consumer Discretionary (Overweight)	Egypt (Overweight)
	Agthia Group PJSC	Financials (Stock Selection)	United Arab Emirates (Stock Selection)
	Commercial International Bank (Egypt) SAE	Materials (Stock Selection, Underweight)	Saudi Arabia (Stock Selection, Underweight)

- An overweight to Egypt detracted from performance. Commercial International Bank (Egypt) and Cleopatra Hospital were amongst the individual detractors.
- In the UAE, positions in logistics business Aramex and food and beverages firm Agthia were amongst the detractors over the month.
- In contrast, the fund participated in the IPO of Arabian Internet and Communication Services, which advanced on its stock market debut and contributed to relative performance.

Outlook & Strategy

- Saudi Arabia's pre-budget statement included raised revenue expectations for next year, given higher oil price and oil output assumptions. The oil price assumptions were still relatively conservative, at around US\$60-65 per barrel. The budget deficit is now expected to reduce to 1.6% of gross domestic product (GDP) in 2022, compared with 2020's deficit of 11.2% of GDP. 2021 is expected to see a reduced deficit of 2.7% of GDP, helped by the move in oil prices. A budget surplus of 0.8% is predicted for 2023. In other news, the government's levy on expatriate (expat) workers in the country, which was installed to make hiring of Saudi nationals more attractive, is expected to move from a fixed fee to one that is in proportion to the expat's salary.
- Dubai, which is a strong gauge of overall real estate sentiment in the UAE, saw villa prices rise 16.5% year-on-year and 5.0% quarter-on-quarter in the third quarter. Prices have been buoyant during the pandemic as many people have traded up, to get more living space given the trend towards working from home. In Abu Dhabi, villa prices have risen by 3.1% year-on-year.
- Parliamentary elections in Morocco, which saw a 50% participation rate, saw two moderate parties taking the most seats. The pro-business National Rally of Independents party (RNI) and the progressive Authenticity and Modernity won 102 and 87 seats, respectively, in the House of Representatives, which has a total of 395 seats. Morocco's king appointed the leader of the RNI as prime minister and asked him to form a new government.
- In Egypt, there have been indications that a fourth wave of the COVID-19 virus has started. Throughout August and September, the number of cases rose, with the final two weeks of September also recording a rise in deaths. Of a population of around 100 million, there have been around 16 million people vaccinated or partially vaccinated. Of this, five million have received two doses. It was also announced that government employees who have not been vaccinated will be banned from entering their workplaces in two months' time. At the same time, the government has eased restrictions for restaurant, café and shop opening hours.
- Qatar signed a 10-year deal with the body that runs Formula 1 motor racing that will see it host 10 races from 2023 onwards. It will also host a race in November this year, before taking a break during 2022, whilst it hosts the football World Cup.
- Kuwait has announced a large restructuring of government ministries that will see electricity, water and oil come in under the Ministry of Energy. It will also create a Ministry of Economy and Trade that will be responsible for privatisations, public-private partnerships, and economic development. A new Ministry of Communications and Information Technology will be responsible for the development of digitalisation.

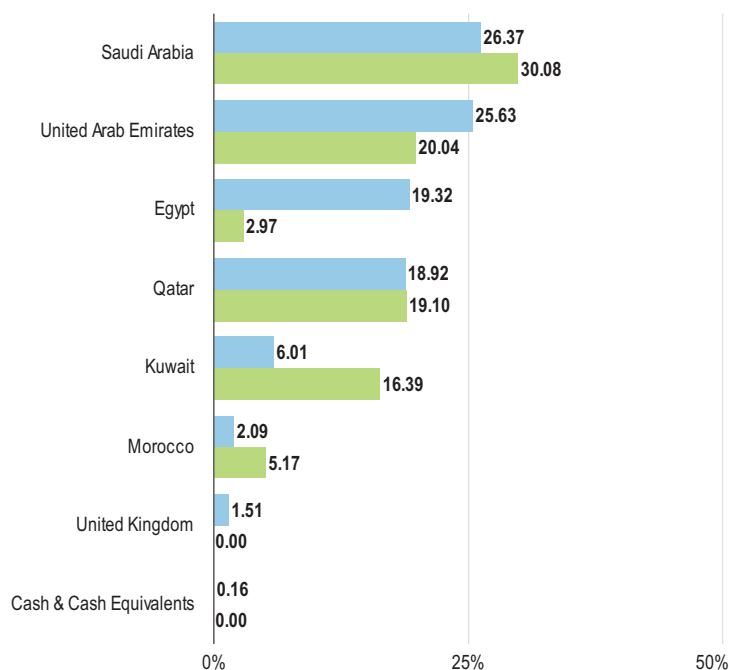
- Overall, we remain cautious in the current market environment. Stock valuations remain elevated despite September's global equity market weakness, in our view, and market volatility is likely to remain over the coming months. There are several risks that we are analysing closely, whilst it appears, that the broader market is now factoring in more risk than it was at the end of August. The US Federal Reserve (Fed) has provided a clearer path towards likely tapering of its asset-purchase programme and the potential for higher US rates in 2022 has also risen, as half of the Fed's policymakers recently predicted a hike in rates next year. Inflation risks remain amidst price increases in raw materials and labour costs in certain markets, though the Fed still believes that US inflation will drop back towards its long-term target. Potential future stagflation is also something to consider. Energy disruption and shortages have appeared in some markets, and it remains to be seen if these were isolated incidents or indicative of wider problems in the supply chain. Although the market appears to have looked beyond possible future economic disruption from the COVID-19 pandemic, this is also still something to be monitored, especially the potential effects of the pandemic on holdings in the portfolio.
- We continue to review international trade issues between the United States and China, as well as other risks and developments in trade relations and regional geopolitics, but expect that the nuanced approach to diplomacy from US President Joe Biden's administration should reduce overall politically induced market volatility.
- We believe that certain parts of the market remain at stretched valuations, given underlying fundamentals and the ongoing economic difficulties caused by the pandemic. We are more cautious in our exposure to cyclical businesses as some recovery paths become less certain. However, in our view, value opportunities can still be uncovered, and we have seen certain countries, sectors and companies emerge, where the market has factored in too many negatives. We remain watchful for new opportunities in quality companies that we believe have visible, secure cash flows and that trade at a discount to our estimate of their intrinsic value, particularly on any market setbacks. Despite the volatility and inflation fears, we are still uncovering opportunities in businesses that are beneficiaries of reform agendas, secular growth trends that have been accelerated by the pandemic, and more specific local demand stories. In the coming weeks, the MENA region looks set to see a large number of IPOs following quiet summer months, as liquidity returns to the market along with general investor optimism. These planned IPOs are across a range of sectors and countries.
- Although the brunt of the fiscal reform has already taken place, we believe that the overall strong rebound in crude oil prices in recent months has given greater room for budgetary manoeuvre amongst the major oil-producing economies. Oil price rises, and stepped production increases agreed by the Organization of the Petroleum Exporting Countries, may relieve fiscal pressure and give local economies new fiscal stimulus, in tandem with off-budget investment from sovereign wealth funds.

Portfolio Characteristics^f

	Portfolio	Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%
Price to Earnings (12-Month Trailing)	3.96x	18.52x
Price to Book	1.76x	1.93x
Price to Cash Flow	8.40x	10.67x
Market Capitalisation (Millions in USD)	18,720	63,192
Price to Earnings Growth Ratio	0.65x	0.76x
3-Year Sales Growth	10.53%	4.77%
Estimated 3-5 Yr EPS Growth	21.85%	20.08%
Price to Earnings (12 Month Forward)	13.78x	16.28x

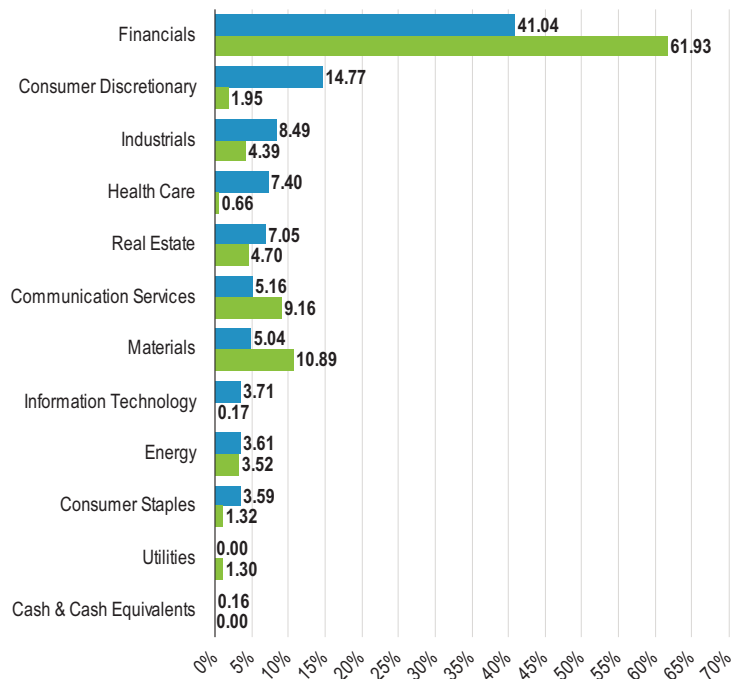
Portfolio Diversification

Geographic Weightings vs. Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%^a
Percent of Total



● Franklin MENA Fund
● Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%^a

Sector Weightings vs. Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%^a
Percent of Total



● Franklin MENA Fund
● Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%^a

Top Ten Holdings^a

Percent of Total

Top Holdings	Sector	Country	%
Al Rajhi Bank	Banks	Saudi Arabia	7.13
Qatar National Bank QPSC	Banks	Qatar	6.11
Commercial International Bank (Egypt) SAE	Banks	Egypt	4.74
Cleopatra Hospital Company	Health Care Equipment & Services	Egypt	4.13
Emaar Properties (P.J.S.C)	Real Estate	United Arab Emirates	4.07
Saudi National Bank	Banks	Saudi Arabia	3.59
Commercial Bank (Q.S.C.)	Banks	Qatar	3.58
Industries of Qatar Co.	Capital Goods	Qatar	3.58
Emirates NBD Bank (P.J.S.C)	Banks	United Arab Emirates	3.09
United Electronics Co.	Retailing	Saudi Arabia	3.02

Performance Statistics

Risk Statistics²

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin MENA Fund	19.13	15.68	15.55	20.29
Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%	15.18	12.58	13.20	17.36
Tracking Error (%)	6.97	6.29	6.20	6.59
Information Ratio³	-0.30	-0.20	-0.05	-0.38
Beta	1.19	1.15	1.08	1.11
Sharpe Ratio				
Franklin MENA Fund	0.42	0.60	0.44	-0.08
Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%	0.67	0.85	0.55	0.06

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Bassel Khatoun	14	19
Salah Shamma	14	20

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 and equity-related securities of companies located in or doing significant business in the MENA (Middle East and North Africa) region. Such emerging markets 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: emerging markets risk, foreign currency risk, liquidity risk, operational 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.

2. Beta, Information Ratio and Tracking Error information are measured against the Hybrid: MSCI Arabian Markets SA Capped 20% until 29 September 2010 then S&P Pan Arab Composite Large Mid Cap KSA Capped at 30%.

3. 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

This document does not constitute legal or tax advice nor is it investment advice or an offer for shares of Franklin Templeton Investment Funds (the "Fund"). Subscriptions to shares of the Fund can only be made on the basis of the current prospectus and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report accessible on our website www.ftdocuments.com or which can be obtained, free of charge, from Franklin Templeton International Services, S.à r.l. - 8A, rue Albert Borschette, L-1246 Luxembourg. The Fund's documents are available in English, Arabic, Czech, Danish, Dutch, Estonian, Finnish, French, German, Greek, Hungarian, Icelandic, Italian, Latvian, Lithuanian, Norwegian, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish and Swedish. In addition, a Summary of Investor Rights is available from franklintempleton.lu. The summary is available in English. The sub-funds of FTIF are notified for marketing in multiple EU Member States under the UCITS Directive. FTIF can terminate such notifications for any share class and/or sub-fund at any time by using the process contained in Article 93a of the UCITS Directive.

Past performance is not an indicator or a guarantee of future performance. 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. Investment in the Fund entails risks which are described in the Fund's prospectus and, where available, in the relevant Key Investor Information Document or any other relevant offering document. Special risks may be associated with a Fund's investment in certain types of securities, asset classes, sectors, markets, currencies or countries and in the Fund's possible use of derivatives. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holdings at any one time. 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. Where a Fund invests in emerging markets, this investment can be more risky than an investment in developed markets. No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America.

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

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.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown. The indices include a greater number of securities than those held in the Fund. 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. **Past performance is not an indicator or a guarantee of future performance.**

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

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c. The benchmark performance shown is derived from a combination of the MSCI Arabian Markets SA Capped 20% Index from the Fund's inception to 29 September 2010 and the S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index from 29 September 2010 to current reporting period.

d. 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.** Periods greater than one year are shown as average annual total returns. Fund performance data include reinvested dividends, and is net of management fees. Sales charges, other commissions, taxes and other relevant costs to be paid by the investor are not included. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

e. 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.

f. 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, Refinitiv. There can be no assurance that the Estimated 3-5 Year EPS Growth figure, based on Institutional Brokers Estimate System (IBES) consensus estimates, will be realised. All holdings are subject to change.



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g. 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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