

Fund Manager Report

Product Details¹

Fund Assets	€231,315,295.03
Fund Inception Date	10/11/1997
Number of Issuers	45
Bloomberg	TEMEAEI LX
ISIN	LU0078277505
Base Currency	EUR
Investment Style	Blend
Benchmark	MSCI EM Europe Index-NR
Morningstar Category™	Emerging Europe Equity

Asset Allocation²

Percent of Total	%
Equity	99.37
Cash & Cash Equivalents	0.63
Fixed Income	0.00

Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in listed equity securities of issuers organised under the laws of or having their principal activities within the countries of Eastern Europe, as well as the New Independent States, i.e. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union.

Performance Data^{3,4}

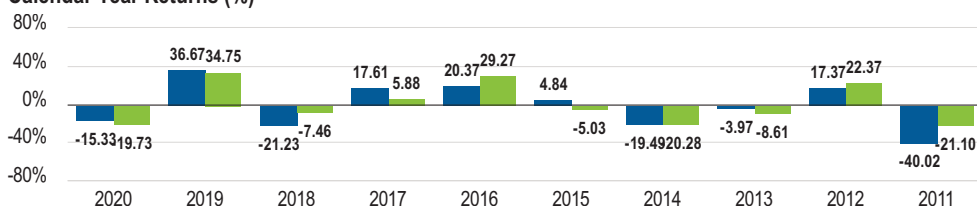
Discrete Annual Performance (%) as at 31/08/2021

	8/20-8/21	8/19-8/20	8/18-8/19	8/17-8/18	8/16-8/17
A (acc) EUR	51.24	-14.34	18.23	-16.58	22.78
MSCI EM Europe Index-NR EUR	37.82	-16.97	20.13	-6.92	20.74

Performance Net of Management Fees as at 31/08/2021 (Dividends Reinvested) (%)^{a,b}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (10/11/1997)
A (acc) EUR	6.42	11.11	33.63	51.24	15.27	9.43	2.99	5.54
MSCI EM Europe Index-NR	5.12	10.50	24.42	37.82	11.19	9.09	2.72	5.67

Calendar Year Returns (%)



- A (acc) EUR
- MSCI EM Europe Index-NR

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

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Raspadskaya PJSC	Materials (Stock Selection)	Russia (Stock Selection)
	Mechel PAO Pref.Shs	Financials (Stock Selection, Overweight)	Kazakhstan (Off-benchmark Exposure)
	Halyk Savings Bank of Kazakhstan JSC Sponsored GDR RegS	—	Georgia (Off-benchmark Exposure)
HURT	Public Joint Stock Company Detsky mir	Communication Services (Stock Selection, Underweight)	Hungary (Stock Selection, Underweight)
	United Company RUSAL international PJSC	Utilities (Lack of Exposure)	Czech Republic (Lack of Exposure)
	QIWI Plc Sponsored ADR Class B	Consumer Discretionary	—

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.
3. MSCI EM Europe Index-NR reflects performance of the MSCI EM Europe (gross returns) from fund inception through 31 December 2000 and MSCI EM Europe Index-NR thereafter.
4. Net Returns (NR) include income net of tax withholding when dividends are paid.

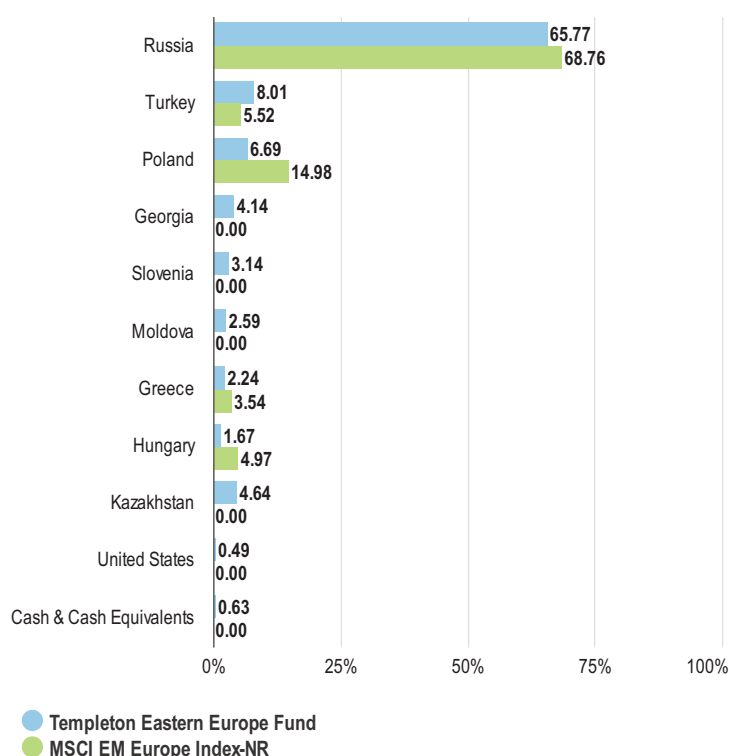
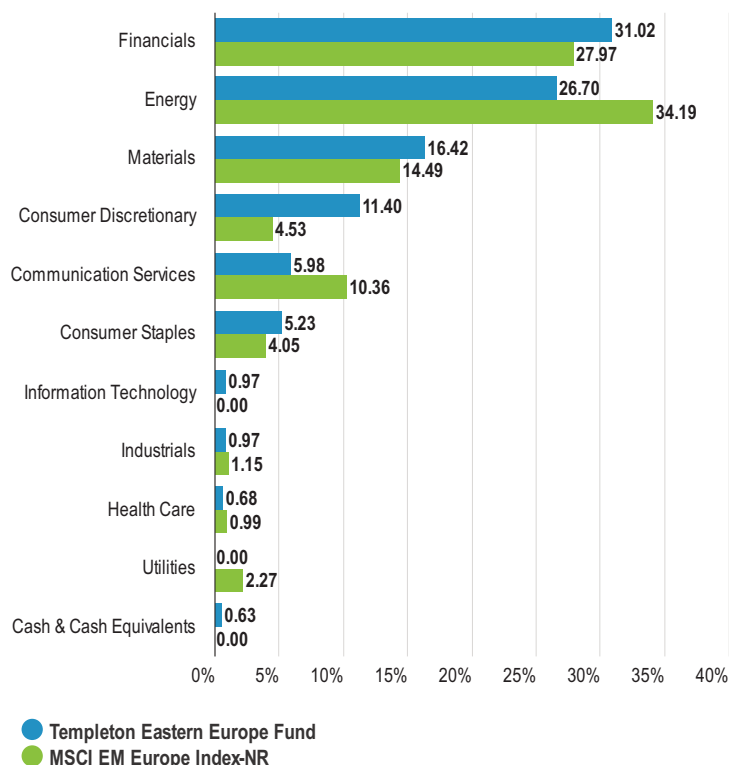
- Russia-based coking coal producer Raspadskaya rallied on the stock market. A jump in its first-half 2021 profit cheered investors, as did its new dividend policy. We expect a recent surge in coking coal prices to bode well for Raspadskaya's near-term prospects.
- Halyk Savings Bank of Kazakhstan's share price advanced. It reported a sharp increase in its quarterly earnings and lifted its guidance for 2021. We consider Halyk's core business to be strong, and we believe it is well-positioned for longer-term growth in Kazakhstan's underpenetrated market.
- Conversely, shares of Detsky Mir came under profit-taking pressure after the Russia-based children's goods retailer posted stronger quarterly results. We still see longer-term growth potential in the company as it targets regional expansion and builds its online business.

Outlook & Strategy

- Outbreaks triggered by the COVID-19 Delta variant have resulted in new lockdowns and hindered economic normalisation in some EMs in the short term. However, we have seen countries accelerate vaccination efforts and vaccine manufacturers increase their capacities. In emerging Europe, economies have been reopening and vaccination rates have improved. We expect broadening economic recoveries to support emerging European markets as a whole.
- Russia posted better-than-expected economic growth for the second quarter of the year, which helped cushion market sentiment against an oil-price decline in August. Nonetheless, oil prices have retained much of their strength from pandemic-induced lows, and we expect this backdrop to continue supporting corporate earnings in Russia. Several central European economies also rebounded in the second quarter, with Hungary's gross domestic product returning to pre-crisis levels.
- Higher inflation has accompanied economic upturns in emerging Europe. Supply bottlenecks, strong commodity prices, recovering demand and a low base effect from 2020 have lifted headline inflation. Against this backdrop, central banks in Russia, Hungary and several other EMs have started to raise their key interest rates. Whilst inflation bears watching, we think that investors should also view it as an expected part of economic normalisation as the COVID-19 crisis recedes.
- Our investment approach remains long-term, stock-driven and valuation-aware, underpinned by a focus on companies that show sustainable earnings power and trade at discounts to our assessment of their intrinsic worth. The portfolio's key holdings include banks that could have a long runway of growth in the region's underpenetrated financial markets. Also in the portfolio are top-tier commodity producers that are likely to benefit from strong oil and metals prices.

Portfolio Characteristics^{c,d}

	Portfolio	MSCI EM Europe Index-NR
Price to Earnings (12-Month Trailing)	7.92x	9.43x
Price to Book	1.28x	1.23x
Price to Cash Flow	5.67x	6.42x
Market Capitalisation (Millions in EUR)	29,611	17,512
Dividend Yield	3.28%	3.66%

Portfolio Diversification
Geographic Weightings vs. MSCI EM Europe Index-NR^e
 Percent of Total

Sector Weightings vs. MSCI EM Europe Index-NR^e
 Percent of Total

Top Ten Holdings^f

Percent of Total

Top Holdings	Sector	Country	%
SBERBANK OF RUSSIA PJSC	Banks	Russia	9.72
GAZPROM PJSC	Energy	Russia	8.85
LUKOIL PJSC	Energy	Russia	7.41
NOVATEK PJSC	Energy	Russia	4.53
UNITED CO RUSAL INTERNATIONAL PJSC	Materials	Russia	4.29
BANK OF GEORGIA GROUP PLC	Banks	Georgia	4.14
TATNEFT PJSC	Energy	Russia	4.05
YANDEX NV	Media & Entertainment	Russia	3.91
TCS GROUP HOLDING PLC	Banks	Russia	3.66
DETSKY MIR PJSC	Retailing	Russia	3.38

Performance Statistics
Risk Statistics⁵

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)			
Templeton Eastern Europe Fund	26.26	21.93	20.04
MSCI EM Europe Index-NR	24.91	21.06	20.54
Tracking Error (%)	5.21	6.41	7.29
Information Ratio⁶	0.80	0.05	0.04
Beta	1.02	0.98	0.90
Sharpe Ratio			
Templeton Eastern Europe Fund	0.61	0.46	0.17
MSCI EM Europe Index-NR	0.47	0.46	0.15

5. Beta, Information Ratio and Tracking Error information are measured against the MSCI EM Europe Index-NR.

6. 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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Investment Team

Portfolio Manager	Years with Firm	Years Experience
Krzysztof Musialik, CFA	15	15

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 Eastern Europe, many of which are emerging markets and 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: foreign currency risk, emerging markets 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.

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.

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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Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

- 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.** 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.
- 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.
- c. 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. All holdings are subject to change.
- d. 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.**
- e. Percentage may not equal 100% due to rounding. All holdings are subject to change.
- f. 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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