

## Fund Manager Report

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

Fund Assets	\$357,929,259.66
Fund Inception Date	07/07/1997
Number of Issuers	56
Bloomberg	TEMAMAI LX
ISIN	LU0070302665
Base Currency	USD
Investment Style	Value
Benchmark	Linked Russell 1000 Value Index-NR
Morningstar Category™	US Large-Cap Value Equity

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

Percent of Total	%
Equity	95.07
Cash & Cash Equivalents	3.75
Fixed Income	1.18

### Fund Description

The Fund aims to achieve long-term capital appreciation by investing principally in US equity and convertible debt securities. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations.

### Performance Data<sup>3,4</sup>

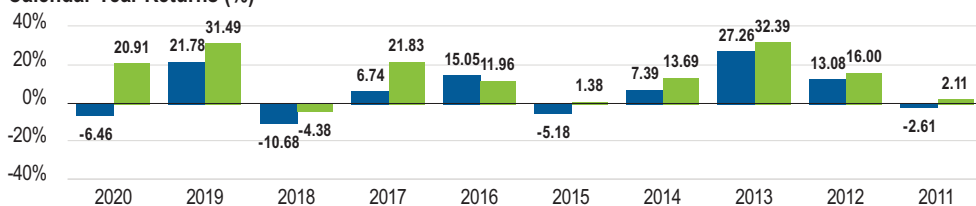
#### Discrete Annual Performance (%) as at 30/09/2021

	9/20-9/21	9/19-9/20	9/18-9/19	9/17-9/18	9/16-9/17
A (acc) USD	36.35	-15.29	-0.80	4.57	11.06
Linked Russell 1000 Value Index-NR USD	32.42	15.15	4.25	17.91	18.61

#### Performance Net of Management Fees as at 30/09/2021 (Dividends Reinvested) (%)<sup>a,b</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (07/07/1997)
A (acc) USD	-3.74	-2.43	15.62	36.35	4.64	5.88	8.93	6.00
Linked Russell 1000 Value Index-NR	-3.53	-0.93	15.62	32.42	16.70	17.33	16.85	8.71

#### Calendar Year Returns (%)



- A (acc) USD
- Linked Russell 1000 Value Index-NR

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

### Portfolio Manager Insight

#### Performance Review

##### QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Oracle Corporation	Financials
	Hartford Financial Services Group, Inc.	—
	Capital One Financial Corporation	—
HURT	Western Digital Corporation	Consumer Discretionary
	T-Mobile US, Inc.	Industrials
	Newell Brands Inc	Consumer Staples

- Data storage device and solutions company Western Digital detracted from results, amid a wider sell-off in memory-related stocks during the period. Nonetheless, the company's recent financial results were strong due to strong hard disk drive demand, as it gained market share in high-capacity drives and saw cryptocurrency demand push prices higher for lower-end drives. Furthermore, news in August surfaced that Western Digital was in talks to potentially acquire Kioxia, a Japanese memory products firm.

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. Linked Russell 1000 Value Index-NR reflects performance of the S&P 500 Index (gross returns) from fund inception through 31/10/2020 and the Russell 1000 Value Index-NR thereafter.

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

- Over the period, T-Mobile detracted from performance on an absolute basis even as subscriber and earnings growth have been positive. We believe that the company's leading spectrum portfolio, integration of assets from the recently acquired Sprint and strong pricing position are positive for the stock over the coming years. Furthermore, synergies from the Sprint acquisition can lead to double-digit free cash flow growth over the medium term, in our view.
- Cloud computing and software company Oracle was among the leading contributors to portfolio results during the period on expectations that sales will accelerate over the next few quarters and that it will continue to make sizable share repurchases. Over the longer term, we expect that new product launches should help boost growth and offset lingering concerns about the declining hardware and services businesses over time.

#### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Williams Companies, Inc.	Energy
	General Motors Company	—
	Hartford Financial Services Group, Inc.	—
HURT	Charter Communications, Inc. Class A	Communication Services
	Johnson Controls International plc	Industrials
	Western Digital Corporation	Information Technology

- Cable company Charter Communications hindered fund performance during the month, as some industry peers warned that net broadband subscriber growth would be weaker in 2021 than expected. However, Charter reiterated its guidance for 2021, noting that churn among subscribers has been low this year and that the lower overall activity levels are beneficial to overall profitability. As activity levels pick up, subscriber growth should accelerate, but at a near-term cost to operating margins.
- Johnson Controls International, a leader in commercial HVAC products, curbed performance during September. Nonetheless, recent financial results have been positive as the company has exited lower returning businesses and cut costs aggressively to focus on margins and returns. At a recent investor day, Johnson Controls articulated three-year financial goals which were well received by the market. Over the longer term, we believe Johnson Controls should benefit from commercial construction growth and the need to build more sustainably.
- Energy infrastructure operator Williams Cos. supported performance during the month. Higher natural gas prices supported the share price, and the company announced a US\$1.5 billion share buyback programme. Overall, the business continues to perform well. Williams generates good free cash flow, financial results tend to be stable, and the reinvestment opportunities are underappreciated, in our view.

#### Outlook & Strategy

- We remain heavily represented in the health care sector, where valuations look attractive in pharma names on potential patent cliff and drug pricing concerns. During the selloff in the last few months, we have also been selectively adding to mid-cap names as they have started to look more attractive due to decreased valuations. Since the reopening trade has stalled, we also have found opportunities in less cyclically sensitive stable businesses. Within energy, we are underweight companies which are responsive to the price of oil in favour of midstream companies.
- Pent-up consumer demand, a need to rebuild inventories, a boom in household and business formations, US\$2.5 trillion of excess savings, improved corporate and household balance sheets, and excess bank lending capacity all can help underpin economic activity, particularly in the United States, and support equity markets. A potential major US infrastructure bill could also be a positive for the US economy over the longer term, should it pass.
- Ongoing supply chain disruptions have become a growing issue for the US and global economy and markets. We have seen shortages of products, including semiconductors and resins, with many of these shortages likely to persist into 2022. Although backlogs for many industrial and auto companies have been robust, meeting this demand could remain challenging over the coming months until component supplies become more readily available.
- Fed officials have decreased growth estimates and raised forecasts for unemployment and inflation into 2022. The new projections show the median expectation is for the economy to grow at an inflation-adjusted 5.9% this year, down from an expectation for 7.0% growth at the June meeting. Less growth and higher unemployment, however, were not expected to bring down inflation, which is weighing on demand and purchasing power as it erodes this year's wage and personal income gains.
- The spread of the Delta variant and additional headwinds continue to generate pockets of volatility. In the near-term, market activity will likely be influenced by the pace of economic reopening, inflation concerns, supply chain constraints, interest rates, political events, and continued monetary and fiscal support. Regardless of these factors, we remain focused on identifying opportunities to acquire stocks at attractive valuations based upon our assessment of fair value. Our process of finding underappreciated and misunderstood companies with identifiable catalysts to unlock shareholder value may provide meaningful upside potential, and a degree of downside protection during turbulent periods. While unnerving, volatility remains an inherent part of investing in risk assets, and the market historically rewards investors who take a long-term perspective.

#### Portfolio Characteristics<sup>c,d</sup>

	Portfolio	Russell 1000 Value Index-NR
Price to Earnings (12-Month Trailing)	14.87x	17.99x
Price to Book	1.87x	2.55x
Price to Cash Flow	9.63x	11.50x
Market Capitalisation (Millions in USD)	89,986	155,956
Dividend Yield	1.94%	2.01%

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## Portfolio Diversification

Top Ten Holdings<sup>e</sup>

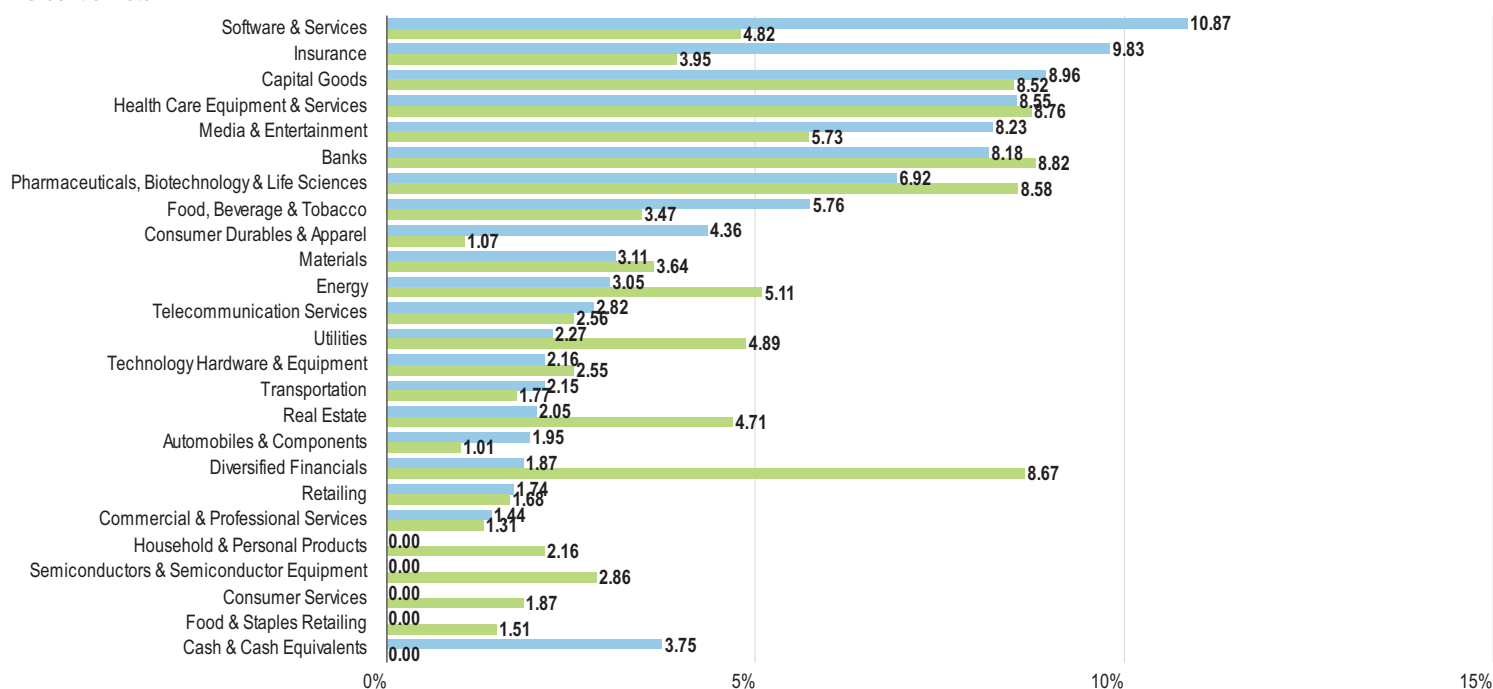
Percent of Total

## Top Holdings

	%
CHARTER COMMUNICATIONS INC	3.88
CVS HEALTH CORP	3.50
MERCK & CO INC	3.40
WILLIAMS COS INC/THE	3.05
ANTHEM INC	2.65
NORTONLIFELOCK INC	2.64
SENSATA TECHNOLOGIES HOLDING PLC	2.58
JOHNSON CONTROLS INTERNATIONAL PLC	2.57
WELLS FARGO & CO	2.51
KRAFT HEINZ CO/THE	2.41

Sector Weightings vs. Linked Russell 1000 Value Index-NR<sup>f</sup>

Percent of Total



● Franklin Mutual U.S. Value Fund

● Russell 1000 Value Index-NR

## Performance Statistics

Risk Statistics<sup>5</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Mutual U.S. Value Fund	21.27	17.26	14.36	14.17
Linked Russell 1000 Value Index-NR	19.11	15.49	13.44	15.34
<b>Tracking Error (%)</b>	6.67	5.88	4.78	6.93
<b>Information Ratio<sup>6</sup></b>	-1.81	-1.95	-1.66	-0.38
<b>Beta</b>	1.06	1.05	1.01	0.82
<b>Sharpe Ratio</b>				
Franklin Mutual U.S. Value Fund	0.17	0.28	0.58	0.28
Linked Russell 1000 Value Index-NR	0.82	1.05	1.21	0.43

5. Beta, Information Ratio and Tracking Error information are measured against the Linked Russell 1000 Value 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**

<b>Portfolio Manager</b>	<b>Years with Firm</b>	<b>Years Experience</b>
Christian Correa, CFA	18	20
Grace Hoefig	13	39
Deborah Turner, CFA	28	29

**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 the U.S. 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: foreign currency risk, derivative instruments 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.ftidocuments.com](http://www.ftidocuments.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](http://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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Source: FactSet, FTSE.

Source: FactSet. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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. 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.

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



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