

## Fund Manager Report

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

Fund Assets	¥9,130,309,238.96
Fund Inception Date	01/09/2000
Number of Issuers	39
Bloomberg	TEMFTJA LX
ISIN	LU0116920520
Base Currency	JPY
Investment Style	Growth
Benchmark	Tokyo Stock Price Index (TOPIX)
Morningstar Category™	Japan Large-Cap Equity

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

Percent of Total	%
Equity	97.93
Cash & Cash Equivalents	2.07
Fixed Income	0.00

### Fund Description

The Fund aims to achieve long-term capital appreciation by primarily investing in equity securities of companies of any size located or performing business predominantly in Japan.

### Performance Data

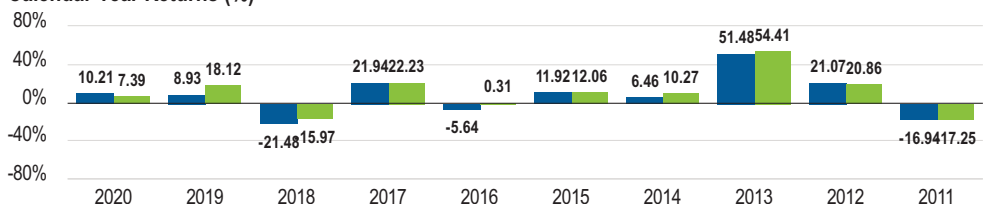
#### Discrete Annual Performance (%) as at 31/08/2021

	8/20-8/21	8/19-8/20	8/18-8/19	8/17-8/18	8/16-8/17
A (acc) JPY	25.49	7.74	-18.54	8.48	17.69
Tokyo Stock Price Index (TOPIX) JPY	23.79	9.78	-10.78	9.58	24.31

#### Performance Net of Management Fees as at 31/08/2021 (Dividends Reinvested) (%)<sup>a,b</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/09/2000)
A (acc) JPY	3.76	3.83	8.77	25.49	3.27	7.06	9.17	0.22
Tokyo Stock Price Index (TOPIX)	3.17	2.12	9.90	23.79	6.63	10.55	12.20	2.97

#### Calendar Year Returns (%)



- A (acc) JPY
- Tokyo Stock Price Index (TOPIX)

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

### Portfolio Manager Insight

#### Performance Review

##### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	JMDC Inc.	Health Care (Stock Selection)
	Topcon Corp.	Consumer Discretionary (Stock Selection, Underweight)
	Ajinomoto Co., Inc.	Consumer Staples (Stock Selection)
HURT	ENEOS Holdings, Inc.	Financials (Stock Selection)
	ACOM Co., Ltd.	Industrials (Stock Selection)
	COMSYS Holdings Corporation	Energy (Overweight)

- Shares of Topcon, a Japanese optical company, supported relative results in August. Topcon is one of only two companies with positioning technology that can be used in the automation of construction machinery, an area with strong long-term growth prospects. Topcon also has a leading eye care medical technology business focused on producing ophthalmic (eye care) diagnostic machines. The company has continued to recover from the pandemic-related hit to its business, in part due to reopening its optometry shops that had been forced to close in 2020.

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.

- Japan-based Ajinomoto was also a significant contributor. We view Ajinomoto, a global branded food and beverage company, as a high-quality proxy for increased demand for convenient food preparation, which grows with rising income in emerging markets. We believe long-term earnings growth will come from emerging markets, the firm's restructuring of its US frozen food business and its cost-restructuring programme in Japan.
- In contrast, petroleum and refining company ENEOS Holdings was lower over the month as investors continued to focus on other areas of the market, such as structural growth, corporate reform or potential inflation beneficiaries.

### Outlook & Strategy

- Global equity markets overall advanced during August 2021 mostly on region-specific developments, such as strong corporate earnings in several parts of the world. Upbeat cues that further supported equities included full US regulatory approval for a COVID-19 vaccine and the Chinese central bank's liquidity-boosting measures to aid its economy. However, concerns that the swiftly spreading Delta variant of the coronavirus would dent the economic recovery checked gains.
- Worldwide, investors continued to consider signals on whether recent rises in inflation would be temporary and, if not, when governments and central banks would begin tightening policies. Monetary and fiscal stimulus measures continued in many countries, and the US Federal Reserve's measured tone on monetary stimulus tapering offered relief to investors concerned about the impact of COVID-19's resurgence on global economic growth. Inflation has elevated around the world as supply bottlenecks, shipping disruptions and recovering demand have been driving up prices. Higher commodity prices and base effects have also been lifting headline inflation. What remains unclear is just how transitory or long-lasting these price rises will prove. A swing to a prolonged period of rising inflation would represent a major change in the backdrop for equity markets, given a general downward trend for many decades. Meanwhile, some of the companies that were hit hardest by the pandemic-related selling in 2020 are showing stronger improvements in earnings than their generally more stable, growth-oriented peers.
- Regardless of style changes, our focus remains on uncovering stocks with the potential to become long-term outperformers. The fund is exposed to several companies that we believe can prosper regardless of the macroeconomic environment. These are typically mid-cap companies with a domestic focus and are thus broadly shielded from the travails of the global economy. The fund also owns several positions in cyclical businesses where, in our assessment, the outlook is for better-than-average growth through the next cycle, helped by their robust business models and key competitive advantages.
- Our long-term prediction of slow-but-steady improvements in corporate governance remains intact, with the increasing role of activism potentially realising some of the deep value to be found in corporate Japan. We also believe that Japan's market cyclicality has evolved over the years since the global financial crisis. The country increasingly relies on the non-manufacturing segments of the economy, where profits now outweigh the manufacturing segments, leading to steadier growth and reduced cyclicality.

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

	Portfolio	Tokyo Stock Price Index (TOPIX)
Price to Earnings (12-Month Trailing)	15.85x	9.45x
Price to Book	1.27x	1.27x
Price to Cash Flow	10.41x	6.88x
Market Capitalisation (Millions in JPY)	2,387,165	4,556,044
Price to Earnings Growth Ratio	1.33x	0.92x
3-Year Sales Growth	2.57%	0.92%
Estimated 3-5 Yr EPS Growth	18.35%	17.13%
Price to Earnings (12 Month Forward)	16.02x	14.76x

### Portfolio Diversification

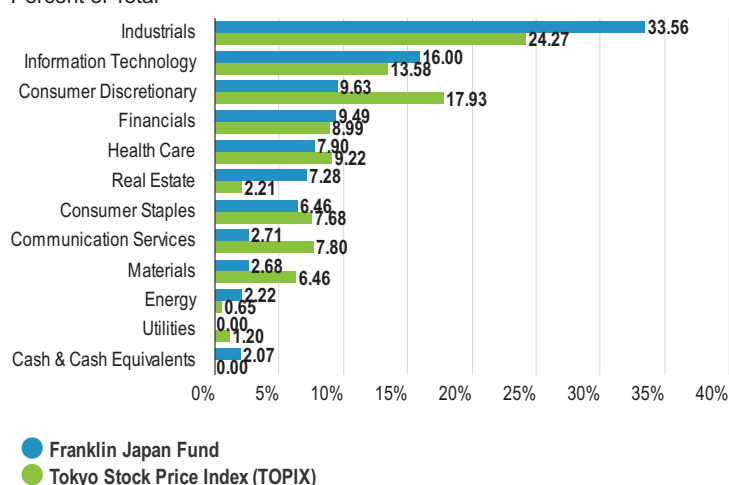
#### Top Ten Holdings<sup>d</sup>

Percent of Total

Top Holdings	%
SMC CORP	3.01
JMDC INC	2.96
DAIFUKU CO LTD	2.84
CKD CORP	2.81
DAIKIN INDUSTRIES LTD	2.80
FUJITSU LTD	2.79
TOPCON CORP	2.77
MAKINO MILLING MACHINE CO LTD	2.76
ROHM CO LTD	2.75
TBS HOLDINGS INC	2.71

#### Sector Weightings vs. Tokyo Stock Price Index (TOPIX)<sup>e</sup>

Percent of Total



## Performance Statistics

### Risk Statistics<sup>3</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Japan Fund	16.55	14.25	16.66	18.64
Tokyo Stock Price Index (TOPIX)	17.11	14.30	16.35	17.25
<b>Tracking Error (%)</b>	4.88	4.23	4.45	5.43
<b>Information Ratio<sup>4</sup></b>	-0.69	-0.83	-0.68	-0.49
<b>Beta</b>	0.93	0.95	0.98	1.03
<b>Sharpe Ratio</b>				
Franklin Japan Fund	0.21	0.51	0.55	0.02
Tokyo Stock Price Index (TOPIX)	0.40	0.75	0.75	0.18

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Peter Sartori	1	30
Ferdinand Cheuk, CFA	4	24
Lauran Halpin	7	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 Japanese equity securities. 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, emerging markets risk, liquidity risk, concentration 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.

3. Beta, Information Ratio and Tracking Error information are measured against the Tokyo Stock Price Index (TOPIX).

4. 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**

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



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