

Product Details¹

Fund Assets	\$1,042,805,412.41
Fund Inception Date	14/10/2008
Number of Issuers	64
Bloomberg	TEMASAU LX
ISIN	LU0390135332
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI AC Asia ex-Japan Small Cap Index-NR
Morningstar Category™	Asia ex-Japan Small/Mid-Cap Equity

Asset Allocation²

Percent of Total	%
Equity	94.71
Cash & Cash Equivalents	5.29
Fixed Income	0.00

Overall Morningstar Rating™ a

Fund Description

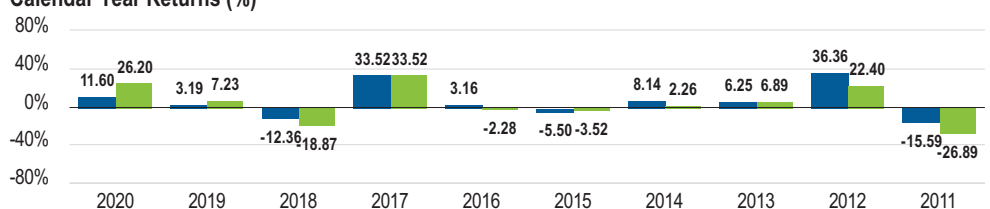
The Fund aims to achieve long-term capital appreciation by investing primarily in small cap companies incorporated in the Asia region (except Japan) or whose principal business activity is in the Asia region. Asian small cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index (Index).

Performance Data³
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) USD	50.84	-4.76	-9.54	3.68	16.95
MSCI AC Asia ex-Japan Small Cap Index-NR USD	41.20	17.34	-14.14	1.94	13.60

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

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (14/10/2008)
A (acc) USD	0.50	0.51	24.34	50.84	9.12	9.52	8.76	15.35
MSCI AC Asia ex-Japan Small Cap Index-NR	0.93	2.07	19.51	41.20	12.47	10.50	6.26	10.79

Calendar Year Returns (%)


- A (acc) USD
- MSCI AC Asia ex-Japan Small Cap 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	International Container Terminal Services, Inc.	Communication Services (Stock Selection)	Philippines (Overweight)
	Bajaj Holdings & Investment Limited.	Financials (Stock Selection)	India (Stock Selection)
	PearlAbyss Corp.	Health Care (Stock Selection)	Taiwan (Stock Selection, Underweight)
HURT	FILA Holdings Corp.	Consumer Discretionary (Stock Selection)	South Korea (Stock Selection)
	Zinus Inc	Consumer Staples (Stock Selection)	Malaysia (Lack of Exposure)
	Novatek Microelectronics Corp.	Utilities (Lack of Exposure)	China (Stock Selection)

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

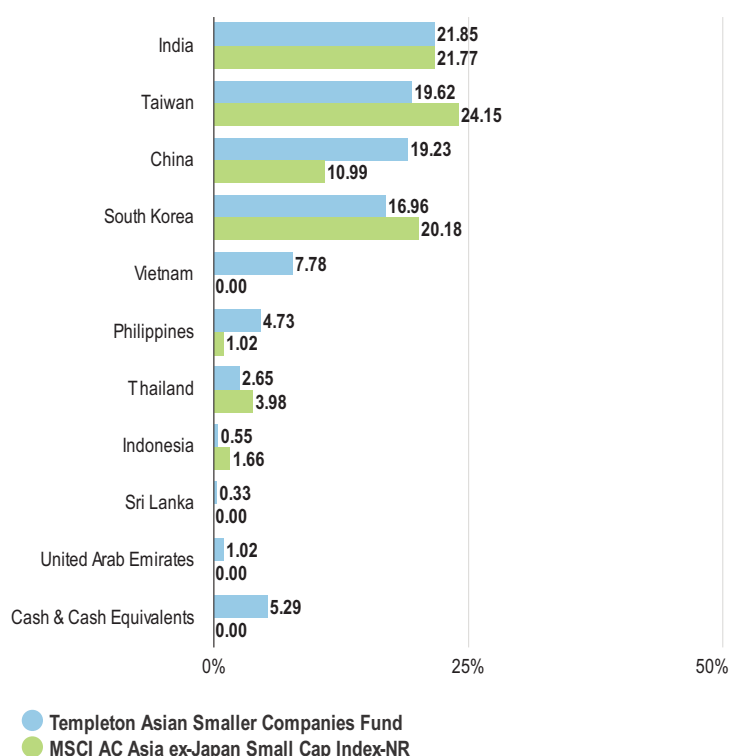
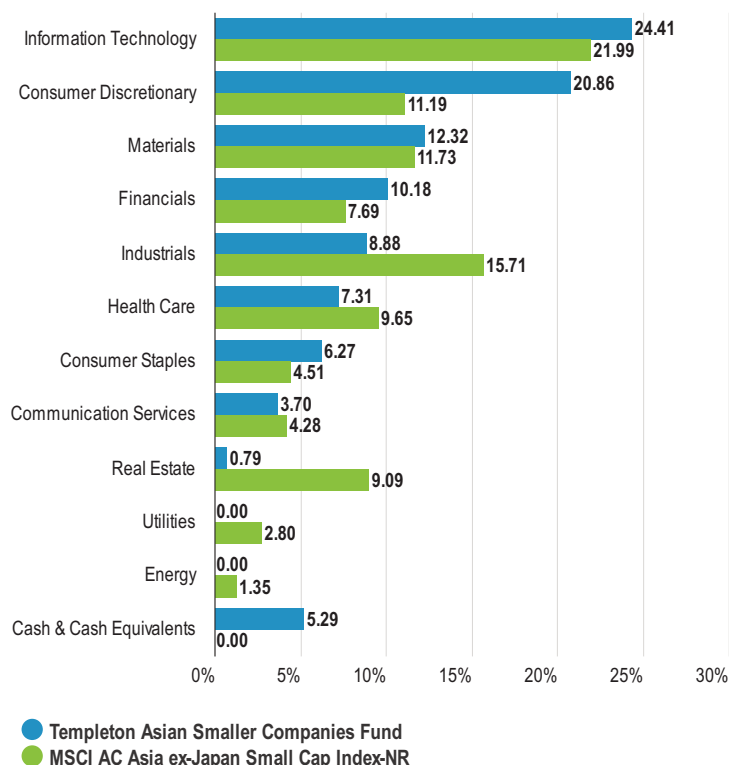
- In South Korea, Fila's stock declined even as the sportswear company posted stronger quarterly earnings. Its slowing momentum in South Korea and weaker-than-expected profitability in the United States overshadowed a sharp improvement in its royalty business and a strong operating performance in Acushnet's golf business (where Fila owns a 51% stake). We expect Fila's potential recovery in South Korea and the United States to drive its share price ahead.
- Shares of South Korea-based Zinus fell. The mattress wholesaler's quarterly profit declined, partly due to logistics issues and higher raw materials costs. Zinus has started to raise its selling prices, which we think should help offset cost pressures. Demand for its mattresses has also remained firm, in our view.
- Conversely, shares of International Container Terminal Services (ICTSI) rallied. The Philippines-based port operator reported a sharp increase in its first-half 2021 earnings, thanks to a global trade recovery post a pandemic-induced downturn. We expect overall trade activity to remain favourable for ICTSI, and we view it as a quality port operator backed by a portfolio of assets across emerging and frontier markets.

Outlook & Strategy

- Outbreaks triggered by the COVID-19 Delta variant have resulted in new lockdowns and hindered economic normalisation in parts of Asia in the short term. However, we have seen countries accelerate vaccination efforts and vaccine manufacturers increase their capacities, leading us to believe that most economies are on the path to normalisation.
- Expectations of a US Federal Reserve tapering have heightened market volatility. Amongst other investor concerns is a potential increase in US interest rates, which could trigger a strengthening of the US dollar. Nonetheless, Asia's macroeconomic fundamentals have improved significantly in recent decades, and we believe that most markets are likely to remain resilient in the face of various challenges.
- In China, tighter regulations have coincided with a slowdown in economic momentum and a resurgence in COVID-19 cases. We have been evaluating the regulatory changes considering the government's longer-term strategic goals such as national security, common prosperity and decarbonisation. Our analysis broadly continues to support the investment case for companies in our portfolio.
- Overall, we think that the structural prospects for Asian small-cap equities remain favourable. We believe that our portfolio offers exposure to the long-term trends in consumption, digitalisation and disruption that we see. Amongst its key holdings are consumer-related companies that are likely to benefit from rising product penetration and demand "premiumisation". We are also invested in technology-centric companies seeking growth in e-commerce, semiconductors and other areas. We are focused on identifying companies with sustainable earnings power, trading at discounts to our assessment of their intrinsic worth.

Portfolio Characteristics^{d,e}

	Portfolio	MSCI AC Asia ex-Japan Small Cap Index-NR
Price to Earnings (12-Month Trailing)	15.50x	14.41x
Price to Book	2.34x	1.62x
Price to Cash Flow	11.15x	8.71x
Market Capitalisation (Millions in USD)	3,968	2,166
Dividend Yield	2.00%	2.19%

Portfolio Diversification
Geographic Weightings vs. MSCI AC Asia ex-Japan Small Cap Index-NR^f
 Percent of Total

Sector Weightings vs. MSCI AC Asia ex-Japan Small Cap Index-NR^f
 Percent of Total

Top Ten Holdings^g

Percent of Total

Top Holdings	Sector	Country	%
BAJAJ HOLDINGS & INVESTMENT LTD	Diversified Financials	India	5.32
NOVATEK MICROELECTRONICS CORP	Semiconductors & Semiconductor Equipment	Taiwan	4.09
MERIDA INDUSTRY CO LTD	Consumer Durables & Apparel	Taiwan	3.74
HOA PHAT GROUP JSC	Materials	Vietnam	3.51
DALMIA BHARAT LTD	Materials	India	3.21
INTERNATIONAL CONTAINER TERMINAL SERVICES INC	Transportation	Philippines	3.07
FILA HOLDINGS CORP	Consumer Durables & Apparel	South Korea	2.94
DAQO NEW ENERGY CORP	Semiconductors & Semiconductor Equipment	China	2.81
SYNNEX TECHNOLOGY INTERNATIONAL CORP	Technology Hardware & Equipment	Taiwan	2.78
LUYE PHARMA GROUP LTD	Pharmaceuticals, Biotechnology & Life Sciences	China	2.53

Performance Statistics

Risk Statistics⁴

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Asian Smaller Companies Fund	22.77	18.83	17.55	19.31
MSCI AC Asia ex-Japan Small Cap Index-NR	21.21	17.70	17.59	21.08
Tracking Error (%)	8.15	7.16	7.44	7.87
Information Ratio⁵	-0.41	-0.14	0.34	0.42
Beta	1.00	0.98	0.91	0.85
Sharpe Ratio				
Templeton Asian Smaller Companies Fund	0.35	0.45	0.47	0.81
MSCI AC Asia ex-Japan Small Cap Index-NR	0.54	0.53	0.32	0.58

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA	26	29
Vikas Chiranewal, CFA	15	17
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 smaller companies located in or doing significant business in Asia. 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: foreign currency risk, emerging markets 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.

4. Beta, Information Ratio and Tracking Error information are measured against the MSCI AC Asia ex-Japan Small Cap Index-NR.

5. 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.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.

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.

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b. 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.

c. 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.

d. 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.

e. 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.**

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

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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