

Product Details¹

Fund Assets	\$521,492,183.12
Fund Inception Date	18/10/2007
Number of Issuers	87
Bloomberg	TEMCACU LX
ISIN	LU0300738514
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI Emerging Markets Small Cap Index-NR
Morningstar Category™	Global Emerging Markets Small/Mid-Cap Equity

Asset Allocation²

Percent of Total	%
Equity	98.57
Cash & Cash Equivalents	1.43
Fixed Income	0.00

Overall Morningstar Rating™ a

Fund Description

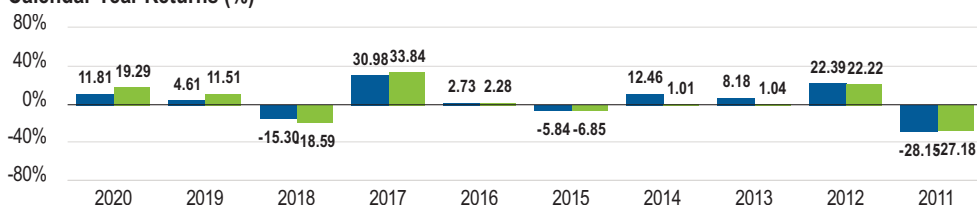
The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities and depository receipts of small-cap companies registered or performing a substantial part of their business in emerging markets or holding a substantial part of their participations in small-cap companies registered in emerging markets. Emerging markets 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 Emerging Markets Small Cap Index (Index).

Performance Data³
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	38.08	-3.11	-5.52	-3.58	14.48
MSCI Emerging Markets Small Cap Index-NR USD	43.24	6.89	-5.49	-4.20	14.89

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

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (18/10/2007)
A (acc) USD	-4.62	-6.39	15.45	38.08	8.12	6.89	8.09	2.77
MSCI Emerging Markets Small Cap Index-NR	-1.99	-2.16	17.20	43.24	13.10	9.76	7.20	3.35

Calendar Year Returns (%)


- A (acc) USD
- MSCI Emerging Markets Small Cap 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	Countries
HELPED	Bajaj Holdings & Investment Limited.	Health Care (Stock Selection)	Taiwan (Stock Selection)
	Longshine Technology Group Co., Ltd. Class A	Financials (Stock Selection)	Philippines (Stock Selection, Overweight)
	Kinsus Interconnect Technology Corp.	Communication Services (Underweight)	Vietnam (Off-benchmark Exposure)
HURT	Health and Happiness (H&H) International Holdings Limited	Consumer Discretionary (Stock Selection, Overweight)	South Korea (Stock Selection)
	FILA Holdings Corp.	Materials (Stock Selection)	China (Overweight)
	Baozun, Inc. Sponsored ADR Class A	Consumer Staples (Stock Selection)	India (Underweight)

- All holdings are subject to change. Holdings of the same issuers have been combined.
- Percentage may not equal 100% due to rounding. All holdings are subject to change.
- Net Returns (NR) include income net of tax withholding when dividends are paid.

- China-based consumer nutrition company Health and Happiness (H&H) International's stock declined. Its first-half 2021 net profit fell as weakness in its baby nutrition business offset an improvement in its adult nutrition business. Concerns of potential government curbs on infant formula pricing also weighed on the stock. We retain our longer-term conviction in H&H in view of the structural growth potential that we see in the premium infant formula and adult nutrition markets.
- Shares of China-based e-commerce solutions provider Baozun fell. Tighter regulations in China's internet industry, coupled with slower sales for certain international brands following their boycott of Xinjiang cotton, weakened investors' outlook for Baozun. We believe that the company continues to offer valuable services to brands operating on Chinese e-commerce platforms, and we see longer-term sustainability in its business.
- In contrast, Poland-based alcoholic beverages business Stock Spirits soared. During the quarter, the company agreed to a takeover by a private-equity business. Stock Spirits operates primarily in Eastern Europe, where it has leading market shares in Poland and the Czech Republic. Vodka and rum are amongst its key products.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Bajaj Holdings & Investment Limited.	Financials (Stock Selection)	Vietnam (Off-benchmark Exposure)
	Longshine Technology Group Co., Ltd. Class A	—	Philippines (Overweight)
	L & F Co., Ltd.	—	Thailand (Underweight)
HURT	JNBY Design Limited	Consumer Discretionary (Stock Selection)	South Korea (Stock Selection)
	Zepp Health Corporation Sponsored ADR Class A	Information Technology (Stock Selection)	India (Stock Selection, Underweight)
	Baozun, Inc. Sponsored ADR Class A	Consumer Staples (Stock Selection)	China (Overweight)

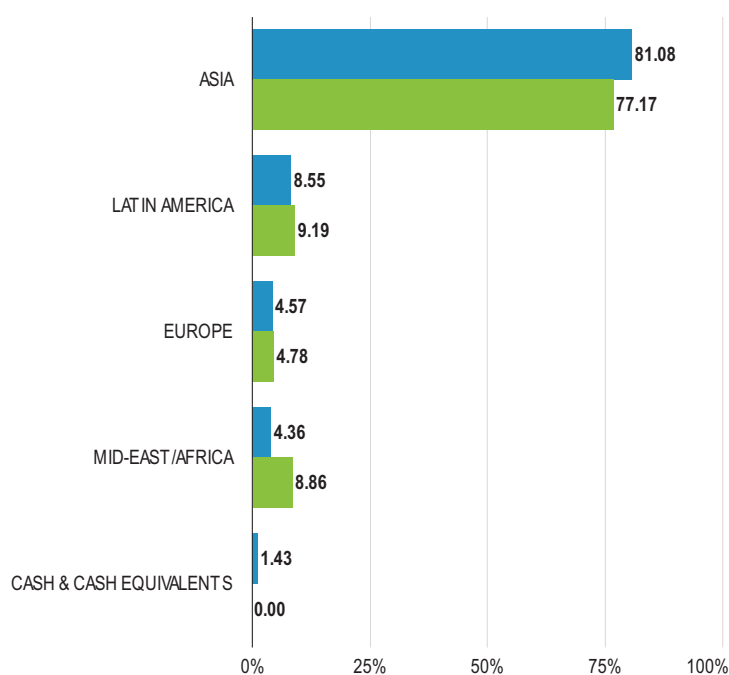
- JNBY Design, which sells fashion apparel in China, retreated over the month. It has been the centre of a controversy over designs for children's clothing. At the same time, there has been a softening in consumer data in China.
- Baozun, which helps brands operate online stores on Chinese e-commerce platforms, finished lower. Its shares continued to struggle in the wake of new regulations for China's internet industry that negatively affected sentiment towards the business.
- In contrast, India-based Bajaj Holdings & Investment advanced. In part, the stock benefitted from a rally in Indian equity markets, as the economy gained pace on the back of a receding pandemic and continued policy support. We believe Bajaj Holdings offers an attractively valued exposure to a diversified range of businesses in lending (Bajaj Finance), insurance (Bajaj Finserv) and autos (Bajaj Auto).

Outlook & Strategy

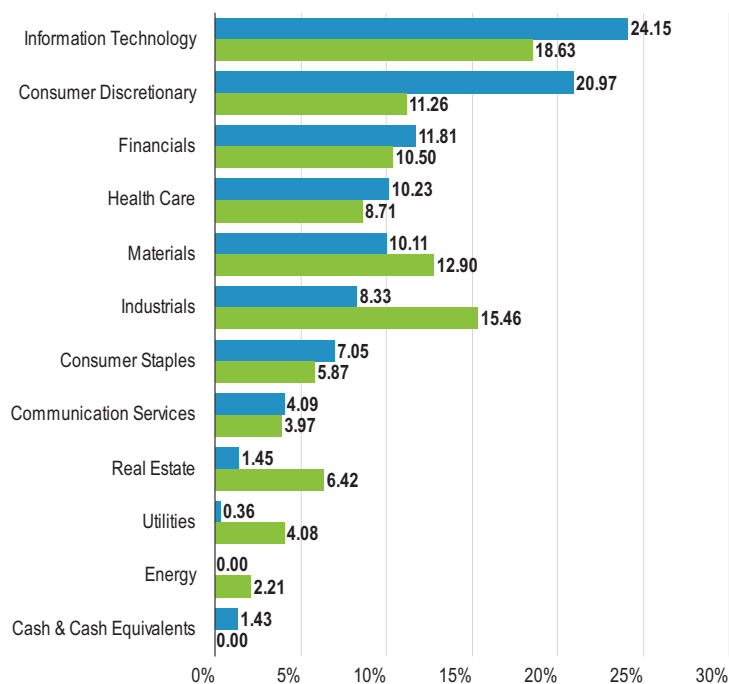
- Regulatory changes in China have affected several industries, particularly internet-related stocks. Whilst the changes have elevated market volatility and fears of policy risks in China, they do not have a uniform effect on all companies within a given industry. We think it is crucial to assess the policies' impact on the long-term earnings power and intrinsic worth of companies individually. Our analysis broadly supports the investment theses for companies in our portfolio.
- Rising inflationary pressures have brought forward market expectations of US monetary policy tightening, which drove US Treasury yields and the US dollar higher in the quarter. A stronger dollar is potentially negative for markets with macroeconomic vulnerabilities. In our view, fundamentals have largely improved on the back of structural reforms in recent decades, and we expect the asset class to stay resilient. Within the portfolio, we are invested in companies that we think have strong pricing power and appear able to pass higher costs on to their customers.
- We continue to see a robust long-term investment case for EM small-cap companies. We view many small caps as enablers of structural trends in consumption, digitalisation and disruption. The portfolio's key holdings include consumer-related companies with strong brands that are well-positioned to gain market share. We also favour technology-centric companies that are leaders in their own fields or collaborators with larger players.
- Defining our investment approach is a focus on companies with sustainable earnings power, trading at discounts to our assessment of their intrinsic worth. We seek to build a well-diversified portfolio, comprising companies with robust business models, quality management teams and an agility to navigate a fast-changing world. We also view innovation as a key competitive advantage for EM small-cap companies competing alongside large caps.

Portfolio Characteristics^{d,e}

	Portfolio	MSCI Emerging Markets Small Cap Index-NR
Price to Earnings (12-Month Trailing)	13.04x	-
Price to Book	2.24x	1.65x
Price to Cash Flow	9.10x	6.29x
Market Capitalisation (Millions in USD)	3,503	1,075
Dividend Yield	2.28%	2.17%

Portfolio Diversification
Geographic Weightings vs. MSCI Emerging Markets Small Cap Index-NR^f
 Percent of Total


● Templeton Emerging Markets Smaller Companies Fund
● MSCI Emerging Markets Small Cap Index-NR

Sector Weightings vs. MSCI Emerging Markets Small Cap Index-NR^f
 Percent of Total


● Templeton Emerging Markets Smaller Companies Fund
● MSCI Emerging Markets Small Cap Index-NR

Top Ten Holdings^g

Percent of Total

Top Holdings	Sector	Country	%
BAJAJ HOLDINGS & INVESTMENT LTD	Diversified Financials	India	4.21
MERIDA INDUSTRY CO LTD	Consumer Durables & Apparel	Taiwan	3.16
HOA PHAT GROUP JSC	Materials	Vietnam	2.88
NOVATEK MICROELECTRONICS CORP	Semiconductors & Semiconductor Equipment	Taiwan	2.76
INTERNATIONAL CONTAINER TERMINAL SERVICES INC	Transportation	Philippines	2.43
LX SEMICON CO LTD	Semiconductors & Semiconductor Equipment	South Korea	2.13
DAQO NEW ENERGY CORP	Semiconductors & Semiconductor Equipment	China	2.06
RICHTER GEDEON NYRT	Pharmaceuticals, Biotechnology & Life Sciences	Hungary	2.06
SYNNEX TECHNOLOGY INTERNATIONAL CORP	Technology Hardware & Equipment	Taiwan	2.04
INTERCORP FINANCIAL SERVICES INC	Banks	Peru	2.03

Performance Statistics

Risk Statistics⁴

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Emerging Markets Smaller Companies Fund	22.44	18.46	16.76	22.90
MSCI Emerging Markets Small Cap Index-NR	22.93	19.11	17.62	23.63
Tracking Error (%)	6.92	6.03	6.06	6.25
Information Ratio⁵	-0.72	-0.47	0.15	-0.07
Beta	0.93	0.92	0.89	0.93
Sharpe Ratio				
Templeton Emerging Markets Smaller Companies Fund	0.32	0.31	0.45	0.09
MSCI Emerging Markets Small Cap Index-NR	0.53	0.45	0.38	0.11

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA	26	29
Vikas Chiraneval, 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 the equity securities of smaller companies in emerging markets. Such securities 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 Emerging Markets 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. 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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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. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

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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