

## Fund Manager Report

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

Fund Assets	\$1,439,806,251.33
Fund Inception Date	25/10/2005
Number of Issuers	45
Bloomberg	FRAINAA LX
ISIN	LU0231203729
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI India Index-NR
Morningstar Category™	India Equity

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

Percent of Total	%
Cash & Cash Equivalents <sup>3</sup>	-3.05
Equity	103.05
Fixed Income	0.00

### Overall Morningstar Rating™ a



### Fund Description

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

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

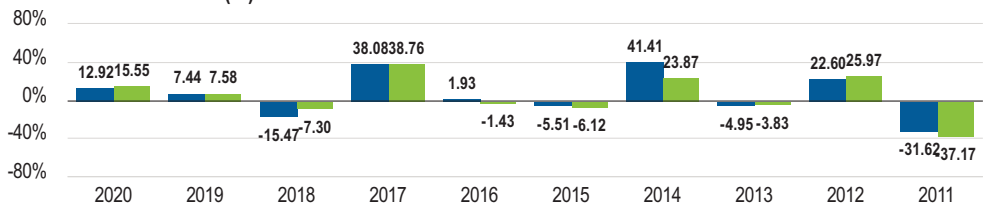
#### Discrete Annual Performance (%) as at 31/08/2021

	8/20-8/21	8/19-8/20	8/18-8/19	8/17-8/18	8/16-8/17
A (acc) USD	52.36	2.44	-10.53	-1.18	11.97
MSCI India Index-NR USD	53.15	3.00	-7.64	7.12	17.46

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

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2005)
A (acc) USD	7.90	10.07	23.82	52.36	11.77	9.09	8.29	11.19
MSCI India Index-NR	10.94	11.12	25.75	53.15	13.36	12.89	8.39	10.28

#### Calendar Year Returns (%)



- A (acc) USD
- MSCI India 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
HELPED	Apollo Hospitals Enterprise Limited	Health Care (Stock Selection)
	Cummins India Limited	Materials (Stock Selection)
	Tata Consumer Products Limited	Consumer Staples (Stock Selection)
HURT	Motilal Oswal Financial Services Limited	Financials (Stock Selection)
	Housing Development Finance Corporation Limited	Consumer Discretionary (Overweight)
	Crompton Greaves Consumer Electricals Ltd.	Information Technology (Stock Selection)

- Motilal Oswal Financial Services fell back in August. The company had seen a strong run up in its share price between May and mid-July. However, its share price declined on profit taking, despite the release of quarterly results at the end of the previous month that saw a rise in revenues and net profit.
- An underweight position in Housing Development Finance Corporation hindered relative returns over the month as its share price rose. The company announced well-received quarterly results in August that saw it benefit from ongoing growth in home loans and normalisation in its collections from customers.

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. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

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

- In contrast, Apollo Hospitals advanced as it reported quarterly results during the middle of the month. It posted year-on-year revenue growth and a rebound in profit after tax, following a loss in the same period last year.

### Outlook & Strategy

- India's second wave of COVID-19 infections started to recede in the middle of the second quarter and was on a downwards trend for the rest of the quarter before broadly levelling out in July and August. However, some states have seen cases increase in recent weeks. Meanwhile, around 41% of the population have now been vaccinated with at least one dose and the pace of the vaccination rate has been maintained. Noravax is currently seeking emergency regulatory approval for its COVID vaccine to be used in India, whilst Johnson & Johnson's single-dose vaccine received emergency approval in August, becoming the fifth product to gain approval in India.
- The restrictions to contain the outbreak—including lockdowns—that were implemented during the second wave at a state level have worked. At month-end, there were still restrictions in some states, but to a large extent India's economy is back to business as usual across most sectors. Notable exceptions, where trading is still hindered, include travel and tourism and certain areas of the leisure industry, such as restaurants and movie theatres. The rural economy has been heavily hit by the pandemic, and a rainfall deficit is currently expected, despite the forecast of above-average September rainfall. Earlier predictions had been for a normal monsoon for the third successive year.
- In our view, the key risk to the country's economic rebound remains the COVID-19 pandemic and the potential for another wave hitting India. Inflation is also something to be wary of, with oil prices rises over the past year. Additionally, if the US Federal Reserve introduces an earlier-than-expected-tapering of its asset-purchase policy or increases its benchmark interest rate early because of the economic rebound, then EMs (including India) could be hit by negative international fund flows. However, compared with the "taper tantrum" of 2013, there is now a more diversified ownership base in Indian equities, which could help to reduce any potential volatility coming from such a move by the US central bank.
- The second wave has seen India's company earnings take a hit, but we continue to expect improvements across the remainder of the year. In our view, if there is no disruption from a sizeable third wave of the pandemic, then full earnings normalisation is possible by the financial year 2023. Our positioning has remained broadly unchanged since the start of the second wave. The relative valuations of cyclical sectors remain attractive to us, and might require two or three quarters of a strong cyclical rebound to see them catch up. Cyclical sectors that were heavily impacted during the pandemic include banking, cement and industrials. Other sections of the market that we are also currently focused on include secular, structural growth companies that can benefit from, for example, improved product penetration from rising incomes and discretionary spending, irrespective of the COVID-19 backdrop. However, valuations in these growth stocks are generally less attractive at the current time.

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

	Portfolio	MSCI India Index-NR
Price to Earnings (12-Month Trailing)	32.10x	27.39x
Price to Book	4.49x	3.91x
Price to Cash Flow	16.00x	17.94x
Market Capitalisation (Millions in USD)	51,691	63,039
Price to Earnings Growth Ratio	1.32x	1.33x
3-Year Sales Growth	8.57%	10.29%
Estimated 3-5 Yr EPS Growth	24.77%	21.68%
Price to Earnings (12 Month Forward)	31.74x	25.76x

## Portfolio Diversification

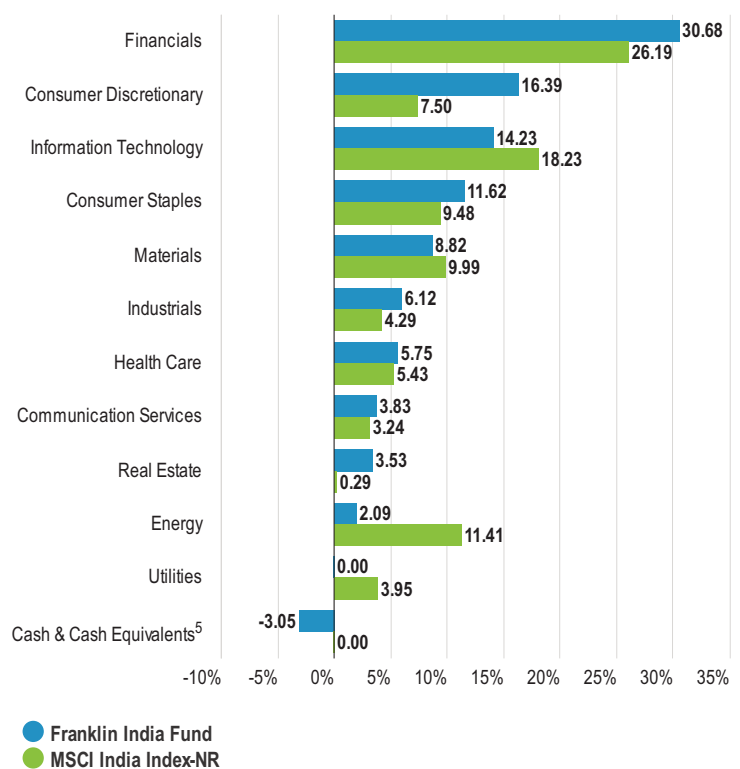
### Top Ten Holdings<sup>e</sup>

Percent of Total

Top Holdings	%
INFOSYS LTD	9.39
ICICI BANK LTD	8.78
HDFC BANK LTD	6.36
KOTAK MAHINDRA BANK LTD	5.53
LARSEN & TOUBRO LTD	4.90
TATA CONSULTANCY SERVICES LTD	4.84
AXIS BANK LTD	4.41
HINDUSTAN UNILEVER LTD	3.65
HINDALCO INDUSTRIES LTD	3.45
ULTRATECH CEMENT LTD	3.43

### Sector Weightings vs. MSCI India Index-NR<sup>f</sup>

Percent of Total



## Performance Statistics

### Risk Statistics<sup>6</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin India Fund	25.52	21.77	22.13	25.35
MSCI India Index-NR	24.94	21.40	22.38	27.93
<b>Tracking Error (%)</b>	6.00	5.78	5.53	6.27
<b>Information Ratio<sup>7</sup></b>	-0.28	-0.66	-0.01	0.13
<b>Beta</b>	1.00	0.99	0.97	0.89
<b>Sharpe Ratio</b>				
Franklin India Fund	0.42	0.37	0.35	0.40
MSCI India Index-NR	0.49	0.55	0.35	0.33

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Sukumar Rajah	27	30

## 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 a single emerging country. Such Indian 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. 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.

5. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

6. Beta, Information Ratio and Tracking Error information are measured against the MSCI India Index-NR.

7. 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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**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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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, 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.

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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