

## Fund Manager Report

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

Fund Assets	\$514,998,110.18
Fund Inception Date	01/09/1994
Number of Issuers	51
Bloomberg	TEMCHAI LX
ISIN	LU0052750758
Base Currency	USD
Investment Style	Blend
Benchmark	MSCI China 10/40 Index-NR – Linked
Morningstar Category™	China Equity

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

Percent of Total	%
Equity	98.24
Cash & Cash Equivalents	1.76
Fixed Income	0.00

### Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities of companies organised under the laws of or having their principal offices in China, Hong Kong or Taiwan, as well as in companies which derive the principal portion of their revenues from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan.

### Performance Data<sup>\*,\*\*</sup>

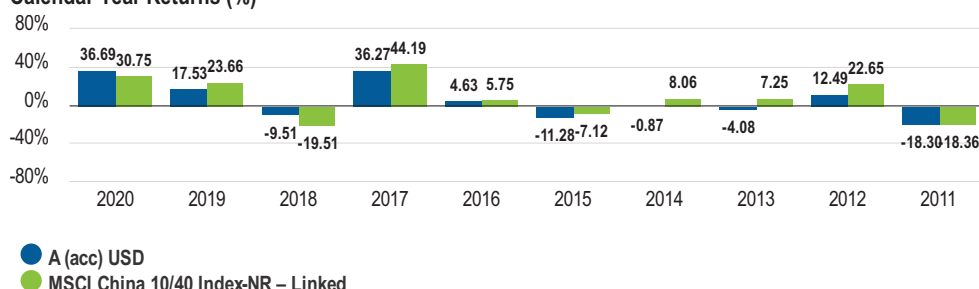
#### Discrete Annual Performance (%) as at 31/08/2021

	8/20-8/21	8/19-8/20	8/18-8/19	8/17-8/18	8/16-8/17
A (acc) USD	-3.90	36.41	-6.67	7.57	27.42
MSCI China 10/40 Index-NR – Linked USD	0.15	33.36	-5.09	-2.77	30.73

#### 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 (01/09/1994)
A (acc) USD	-2.07	-15.78	-13.19	-3.90	6.95	10.90	4.16	5.25
MSCI China 10/40 Index-NR – Linked	0.77	-12.56	-10.94	0.15	7.99	10.94	8.09	-

#### Calendar Year Returns (%)



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

\*Effective 1 January 2020, the Fund's benchmark is the MSCI China 10/40 Index–NR–Linked. The benchmark performance shown is derived from a combination of the MSCI Golden Dragon Index from the Fund's inception to 28 February 2019, MSCI China Index from 1 March 2019 to 31 December 2019, and MSCI China 10/40 Index–NR from 1 January 2020 to the current reporting period.

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

### Portfolio Manager Insight

#### Performance Review

#### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	JD.com, Inc. Class A	Consumer Staples (Stock Selection)
	Guangzhou Tinci Materials Technology Co., Ltd	Communication Services (Stock Selection)
	Weichai Power Co., Ltd. Class H	Materials (Stock Selection)
HURT	New Horizon Health Limited	Consumer Discretionary (Stock Selection)
	Will Semiconductor Ltd. Class A	Information Technology (Stock Selection)
	Innovent Biologics, Inc.	Health Care (Stock Selection, Overweight)

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.

- New Horizon Health, which develops cancer screening products, retreated in August. Its shares were negatively impacted by concerns over potential profit taking by some shareholders after the expiry of a share lock-up agreement following its initial public offering earlier this year. That said, the company reported inline first-half financial results. We believe the company’s key partnerships will continue to help accelerate penetration, whilst its pipeline brings long-term growth opportunities.
- Biopharmaceutical business Innovent Biologics also detracted from returns. Its shares struggled as a result of increasing concerns over rising competition in a key market segment in China, as well as the potential for price cuts from the country’s National Reimbursement Drug List. However, the company’s recent results demonstrated progress in commercialisation and research & development, providing some assurance over the longer-term quality of its pipeline.
- In contrast, Guangzhou Tinci Materials Technology advanced. During the month, it was boosted by stronger-than-expected first-half results and guidance for the third quarter. The company’s products include materials for lithium-ion batteries. We believe that it can gain market share and benefit from long-term demand for electric vehicle batteries globally.

**Outlook & Strategy**

- Whilst unexpected policy changes may create uncertainty in China, fuelling volatility and increasing risk premia, we believe such deviations should be temporary, as stock prices are primarily driven by a company’s ability to sustain profitability through earnings. In general, whilst uncertainty and volatility are often features of investing in China, we believe Chinese equities can offer interesting opportunities for long-term investors, including compelling themes that can benefit from innovation, technology and rising consumption.
- We maintain our fundamental preference for businesses that are domestically oriented, with quality franchises that may be less sensitive to global macro-related fluctuations. We believe companies with strong premium-brand positioning, pricing power and superior products should see sustainable and higher-than-average industry growth levels in the years to come. Rising long-term disposable income trends are also expected to bolster these companies.
- Overall, we believe that EMs, including China, are still likely to remain resilient in the face of challenges, including expectations of US Federal Reserve tapering and COVID-19 outbreaks, supported by the strength of the EM opportunity set.

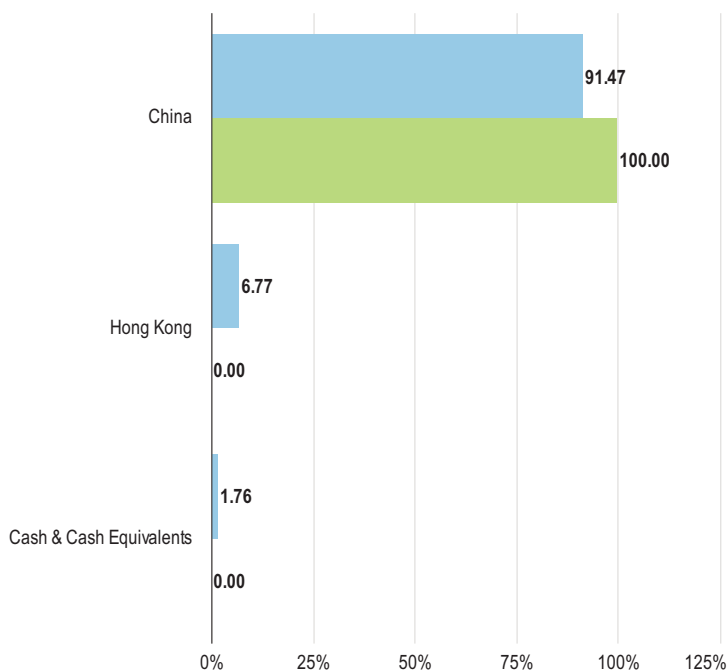
**Portfolio Characteristics<sup>c,d</sup>**

	Portfolio	MSCI China 10/40 Index-NR
Price to Earnings (12-Month Trailing)	25.09x	14.89x
Price to Book	4.22x	2.36x
Price to Cash Flow	17.95x	12.06x
Market Capitalisation (Millions in USD)	149,529	147,374
Dividend Yield	0.66%	1.33%

**Portfolio Diversification**

**Geographic Weightings vs. MSCI China 10/40 Index-NR<sup>e</sup>**

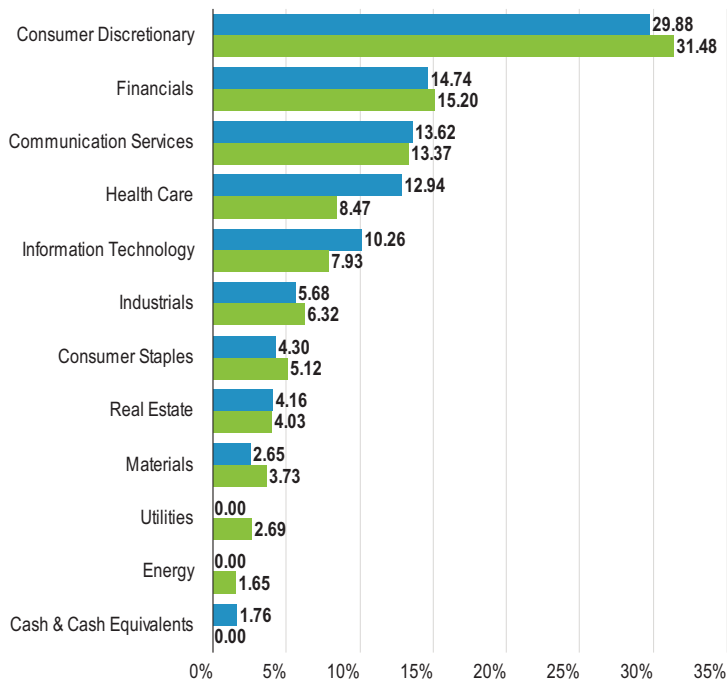
Percent of Total



● Templeton China Fund  
● MSCI China 10/40 Index-NR

**Sector Weightings vs. MSCI China 10/40 Index-NR<sup>e</sup>**

Percent of Total



● Templeton China Fund  
● MSCI China 10/40 Index-NR

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**Top Ten Holdings<sup>f</sup>**

Percent of Total

Top Holdings	Sector	Country	%
TENCENT HOLDINGS LTD	Media & Entertainment	China	7.82
ALIBABA GROUP HOLDING LTD	Retailing	China	6.83
MEITUAN	Retailing	China	4.98
TEMPLETON CHINA A SHARES FUND	Diversified Financials	Hong Kong	4.86
JD.COM INC	Retailing	China	4.30
CHINA MERCHANTS BANK CO LTD	Banks	China	4.27
WUXI BIOLOGICS CAYMAN INC	Pharmaceuticals, Biotechnology & Life Sciences	China	4.04
ANTA SPORTS PRODUCTS LTD	Consumer Durables & Apparel	China	3.53
NIO INC	Automobiles & Components	China	2.93
HUA HONG SEMICONDUCTOR LTD	Semiconductors & Semiconductor Equipment	China	2.55

**Performance Statistics****Risk Statistics<sup>3</sup>**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Templeton China Fund	20.70	17.80	18.85	23.52
MSCI China 10/40 Index-NR – Linked	20.41	17.64	18.11	-
<b>Tracking Error (%)</b>	5.48	5.15	5.69	-
<b>Information Ratio<sup>4</sup></b>	-0.19	-0.01	-0.69	-
<b>Beta</b>	0.98	0.97	0.99	-
<b>Sharpe Ratio</b>				
Templeton China Fund	0.28	0.55	0.19	0.13
MSCI China 10/40 Index-NR – Linked	0.34	0.56	0.41	-

**Investment Team**

Portfolio Manager	Years with Firm	Years Experience
Michael Lai, CFA, Senior Vice President	1	31
Eric Mok, CFA, Senior Vice President	22	22

**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 Chinese equity securities. 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.

3. Beta, Information Ratio and Tracking Error information are measured against the MSCI China 10/40 Index-NR – Linked.

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).

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**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.

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