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FRANKLIN TEMPLETON

Franklin Technology Fund

Franklin Templeton Investment Funds

A (acc) USD
30 November 2024

Product Commentary

Performance Review

Past performance does not predict future returns.

- Global equities collectively rose in November 2024, driven largely by a significant post-election rally in US stocks. While Donald Trump's presidential victory and the potential for additional tax cuts and expansionary fiscal policy bolstered US equities, investors outside the United States were more cautious as they were concerned about the president-elect's tariff plans and their implications on global trade. On the economic front, global manufacturing activity stabilised in November after four months of contraction, while flash reports for the same month showed signs of strength in many regions. As measured by MSCI indexes in US-dollar terms, developed market equities outperformed a global index, while emerging market and frontier market equities significantly underperformed it. In terms of investment style, global growth stocks outpaced global value stocks. The information technology (IT) sector's returns in the United States and globally were in the 4% to 5% range, leaving them in sixth and fourth place, respectively, among the equity market's 11 major sector groups. The rally was most apparent in the IT services and software industries, countered by the relatively flat performance of semiconductor-related companies and weakness in the electronic equipment, instruments and components industry, the sole outlier to the downside among the IT sector's six main industries. With one month left to go in the year, IT was still the top-performing sector of 2024 globally, though its previously wide gap over other winning sectors—including financials and communication services—has narrowed to a nearly-insignificant crack. And in the United States, IT actually ranked third behind those two sectors. This reversion partially reflects elevated investor concerns about stretched valuations as many IT companies were trading at much higher multiples (stock price relative to earnings per share) than any other area of the market. Meanwhile, communication services sector stocks ended November with below-average gains, ranking ninth in the United States and seventh globally; they were most influenced on the high end by entertainment industry stocks and on the low end by interactive media and services stocks. In general, the sector continues to benefit from strong advertising and subscription-type revenue.
- For the month, the fund's A (acc) USD shares returned 5,67%, and its benchmark, the MSCI World Information Technology Index, returned 5,23%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	Shopify (Overweight)	Internet Services and Infrastructure (Overweight)
	Amazon.com (Off-Benchmark Exposure)	Systems Software (Stock Selection)
	MongoDB (Significant Overweight)	Broadline Retail (Off-Benchmark Exposure)
HURT	Monolithic Power Systems (Significant Overweight)	Semiconductors (Stock Selection)
	Taiwan Semiconductor Manufacturing (Off-Benchmark Exposure)	Interactive Media and Services (Off-Benchmark Exposure)
	Alphabet (Off-Benchmark Exposure)	Application Software (Stock Selection)

- The fund's November results versus the MSCI World IT Index got a strong boost from internet services and infrastructure companies, with overweight or off-benchmark holdings in Shopify, MongoDB, Snowflake and three others posting double-digit percentage gains. Two of these were notable outliers to the upside: Snowflake surged more than 50% while Shopify's returns neared 50%; both companies released impressive third-quarter 2024 (3Q24) financial results. Similar to these two, many other industry players are benefitting from the broadening of artificial intelligence (AI)-related capital spending by customers and the implementation of novel AI features in their platforms. Shopify, the market share leader in e-commerce software, has been successfully moving upmarket into the enterprise level, while improving its core operations around small businesses and start-ups. Its merchant solutions business, meanwhile, has layered multiple revenue streams on top of its standard e-commerce software subscription, and its SHOP App represents significant option value as a B2C (business-to-consumer) marketplace over the long term, in our view. Although we do have some equity valuation concerns after the latest leg up in the 2024 rally, we also believe Shopify could see potentially faster growth driven by highly profitable non-payment merchant services—essentially a higher level of monetisation of the SHOP App. In the case of data specialist Snowflake, AI appears to be compelling its customers to spend more. A notable development for Snowflake is that it had some big customer wins in 3Q24; it added 400 new ones, of which 20 were members of the Forbes Global 2000. Moreover, customers spending US$1 million or more annually saw an impressive 25% increase. Although we are pleased with the rebound in Snowflake as data centre revenues further build, its equity value is still down year-to-date due to previous investor worries about its slowing growth rate and rising expenses. Though the company is seen by many investors as a leading player in the AI space, AI has yet to consistently catalyse Snowflake's growth. But for 3Q24, management emphasised the company's revenue expansion from AI, which we think finally signals a shift in the right direction.
- Systems software holdings also enjoyed large and broad-based gains. Returns versus the index were buoyed foremost by ServiceNow (overweight), which provides a cloud-based platform for digital workflows and automation. Several off-benchmark industry allocations and individual stocks provided additional support, including broadline retail, where Amazon.com was a standout; Block and other transaction and payment processing services companies; "last mile" delivery specialist DoorDash (our only investment in the restaurant industry); and niche "med-tech" names in both life sciences tools and services and health care technology. On the consumer side, e-commerce giant Amazon's cloud business is advancing with AI, and the company has other AI opportunities on the table. The tech and retail giant has the benefit of an

encompassing AI ecosystem, with Amazon Web Services (AWS) continuing to lead the cloud-infrastructure market as a go-to destination for building, deploying and scaling AI applications. Amazon's strong networking foundations and emerging AI accelerators hold promise to continue to drive wins for AWS. We also believe the company's industry leadership should keep it in an advantageous position for years to come as, by some estimates, global AI cloud revenue could reach US$2 trillion by 2030. Aside from cloud computing, Amazon is still fine-tuning its dominance in e-commerce (retail sales still account for approximately 82% of total revenues) while expanding its advertising businesses at a brisk pace.

- Semiconductor stocks (roughly 26% of total net assets) have been a trouble spot amid mounting competitive headwinds. These portfolio holdings declined in November, while those tracked by the MSCI World IT Index advanced. The key detractors involved relatively heavy stakes in Monolithic Power Systems, Advanced Micro Devices and Broadcom, along with off-index Taiwan Semiconductor Manufacturing. The roughly 5% of the portfolio dedicated to semi materials and equipment companies also traded lower, with relative returns hindered foremost by higher-conviction positions in Applied Materials and KLA. According to September data released by the Semiconductor Industry Association in November, the three-month moving average of worldwide semiconductor sales rose to a record US$55.3 billion, but the uptrend is hitting the industry unevenly, with NVIDIA (our single-largest position, covering 9.3% of total assets) outpacing the group, while recent record highs for numerous industry players have led to greater investor caution around elevated stock valuations. Among the detractors mentioned above, the selloff in Monolithic was the most severe, and it was triggered by a disappointing 4Q24 outlook following otherwise strong 3Q24 financial results. Some analysts downgraded it due to a shift in competitive pressures and worst-case projections outlining potential market-share losses in key segments, especially in supply lines related to NVIDIA's new Blackwell GPUs (graphics process units) as NVIDIA lowered its compute-focused purchases from key parts partner Monolithic, which offers a wide range of power solutions such as voltage regulators, sensors, convertors, lighting control integrated circuits, and battery management systems. We still believe this is a large and fast-growing market opportunity for analogue companies such as Monolithic, which has recently secured multiple design wins in the AI space and has a long track record of generating superior growth versus its industry peers.

Outlook & Strategy

- **Despite recent market volatility, IT sector fundamentals remain fairly stable relative to recent quarters. We continue to believe the sector can outpace the broader market on earnings growth this year and next, driven by strong secular tailwinds including generative AI (GenAI).** We also remain optimistic about the potential for an economic soft landing, which, alongside the US Federal Reserve's interest-rate-cutting cycle, has the potential to support increased corporate investment in technology. Industries such as software have faced several quarters of muted demand, due in part to macro uncertainty driving tighter corporate budgets. We continue to view this as a temporary phenomenon. Additionally, we believe more certainty around the macro path should encourage greater breadth in the IT sector, allowing the valuation disparity between mega-capitalisation stocks and the rest of the sector to begin to normalise. We believe the fund is well-positioned for this potential outcome.
- **With the Republican Party's victory in the US presidential election, one key driver of market uncertainty is now behind us.** We believe the IT sector may benefit in a few ways. First, we anticipate improving corporate IT spending as US businesses may see lower tax rates, which can flow into industries like software. Second, IT stands to potentially benefit from what should be a lighter regulatory burden, including changes in leadership at the US Federal Trade Commission. This could help the country's biggest tech-focused companies, which are subject to considerable antitrust scrutiny under the current administration, as well as "small" tech, which may benefit from a more active setting for mergers and acquisitions. We also think Republicans may lighten GenAI regulation to help ensure the country sustains its global leadership in this critical technology. On the other hand, we may see even more scrutiny around exports of leading US semiconductors and semiconductor equipment to China, as well as some impact from new tariffs on goods coming from China, in markets like e-commerce and consumer electronics. Overall, while our focus remains on long-term secular drivers and finding what we regard as high-quality businesses, we view the election outcome as a minor net positive for the IT sector and believe the fund is positioned appropriately for the new political regime in the United States.
- **While debates around macro trends and the pace of interest-rate cuts played a role, we also believe recent IT volatility has been driven by debate around the sustainability of GenAI as a driver for sector performance.** Debate is healthy and normal (as is volatility, in some cases), especially this early in a new technology cycle. GenAI adoption can still play out a number of ways, but we remain encouraged by the demand signals we're seeing, as well as the continued progress on AI model capabilities.
- **We ask investors to consider that large technology-platform shifts play out over years, not quarters.** One analogy we like to use is the smartphone era. The first iPhone was introduced in 2007, and it took roughly seven years for smartphones to penetrate the majority of households in the United States. For smartphones to become ubiquitous, several advancements in technology (e.g., network upgrades to 3G and, years later, 4G and then 5G) and a broadening set of mobile-native applications were necessary. We weren't introduced to several of these applications until years after the first iPhone (e.g., Uber Technologies [not held by the fund] was launched in 2009, and Instagram was launched in 2010 and was later acquired by Meta Platforms [not held]). It has been less than two years since OpenAI (not held) launched ChatGPT, and while there have been significant technological advancements and some useful new applications since then, we'd argue we're still early in the cycle, and we don't believe the IT sector's current valuation reflects the full potential of AI's positive growth impact on the technology space and the broader economy over the long term.
- **Potential risks we are monitoring include the timing and magnitude of GenAI demand; while optimistic, we acknowledge that near-term data may disappoint relative to market expectations.** This dynamic was evident in the stock reactions following earnings reports from some companies widely considered to be "AI winners." Our other main areas of concern involve (1) geopolitical risks, particularly around advanced technology export restrictions imposed on China and the extent to which these restrictions accelerate China's homegrown efforts to compete effectively in advanced semiconductors, hardware design and manufacturing; (2) regulatory risks, both from an antitrust perspective (i.e., elevated antitrust activity against mega-cap tech firms in the United States) and from an AI perspective as new regulatory/policy frameworks are being established rapidly; and (3) risks around decelerating global economic growth and the extent to which it impacts consumers and, by extension, tech-focused markets such as e-commerce, digital payments, digital advertising, consumer hardware and electronics, and electric vehicles.
- **We maintain our long-term orientation.** The fund remains positioned to potentially benefit from robust long-term secular growth drivers such as AI, cloud computing, and our other eight Digital Transformation subthemes: new commerce; fintech and digital payments; digital media transformation; digital customer engagement; electrification and autonomy; IoT (Internet of Things); cybersecurity; and the future of work.

Fund Details

Inception Date	03.04.2000
Benchmark	MSCI World Information Technology Index
EU SFDR Category	Article 8

Fund Description

The fund aims to achieve capital appreciation by investing at least two-thirds of its assets in equity securities of companies expected to benefit from the development, advancement and use of technology.

Performance Data[1]

Past performance does not predict future returns.

Discrete Annual Performance (%) as at 30.11.2024

	11/23 11/24	11/22 11/23	11/21 11/22	11/20 11/21	11/19 11/20	11/18 11/19	11/17 11/18	11/16 11/17	11/15 11/16	11/14 11/15
A (acc) USD	32,79	33,07	-41,38	31,63	59,26	24,44	9,29	38,43	6,14	9,43
MSCI World Information Technology Index USD	37,80	35,55	-22,60	34,12	42,13	30,79	6,24	40,77	7,90	6,01

Performance Net of Management Fees as at 30.11.2024 (Dividends Reinvested) (%)[a,b]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (03.04.2000)
A (acc) USD	5,67	7,75	25,64	32,79	1,18	16,77	16,85	6,82
MSCI World Information Technology Index	5,23	6,17	32,13	37,80	13,07	22,47	19,95	6,47

Investment Team

Jonathan T. Curtis
Years with Firm 16
Years Experience 20

Matthew Cioppa, CFA
Years with Firm 9
Years Experience 16

Dan H. Searle III, CFA
Years with Firm 23
Years Experience 23

1. The fund's returns may increase or decrease as a result of changes to foreign exchange rates.

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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. There is no guarantee that the Fund will meet its objective. The Fund invests mainly in equity securities of technology companies worldwide. 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: **Equity risk**: prices of equities may be affected by factors such as economic, political, market, and issuer-specific changes. Such changes may adversely affect the value of the equities regardless of company-specific performance. **Liquidity risk**: the risk that arises when adverse market conditions affect the ability to sell assets when necessary. Such risk may be triggered by (but not limited to) unexpected events such as environmental disasters or pandemics. Reduced liquidity may have a negative impact on the price of the assets. **Securities Lending risk:** the risk that default or insolvency of the borrower of securities lent by a Fund may lead to losses if collateral received realises less than the values of securities lent. 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.

Important Legal Information

This fund meets the requirements under Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR); the fund has binding commitments in its investment policy to promote environmental and/or social characteristics and any companies in which it invests should follow good governance practices. Further information in relation to the sustainability-related aspects of the Fund can be found at www.franklintempleton.lu/SFDR. Please review all of the fund’s objectives and characteristics before investing.

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. A copy of these documents can be found, on our website www.franklintempleton.ch or can be obtained, free of charge, from Franklin Templeton Switzerland Ltd, a member of Franklin Templeton Investments, Stockerstrasse 38, CH-8002 Zurich, Tel +41 44 217 81 81 / Fax +41 44 217 81 82, info@franklintempleton.ch. Paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich. Issued by Franklin Templeton Switzerland Ltd, a company authorized and regulated by the Swiss Financial Market Supervisory Authority FINMA as representative of Franklin Templeton Investment Funds.The Fund’s documents are available in English, Arabic, French, German, Italian, Polish and Spanish or can be requested via FT’s European Facilities Service available at https://www.eifs.lu/franklintempleton.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.For the avoidance of doubt, if you make a decision to invest, you will be buying units/shares in the Fund and will not be investing directly in the underlying assets of the Fund.

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 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.

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The **investment style** may become out of favor, which may have a negative impact on performance. **Active management** does not ensure gains or protect against market declines**. International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets. Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The manager may consider **environmental, social and governance (ESG)** criteria in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund’s prospectus.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

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.

Effective 29 September 2017, Franklin Technology Fund changed its benchmark to the MSCI World Information Technology Index, following the discontinuation of the BofAML Technology 100 Index.

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Source: FactSet. Important data provider notices and terms available at 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. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.
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.

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