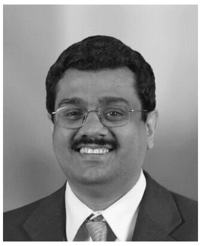
FRANKLIN TEMPLETON

Monthly Commentary
29 February 2020

Templeton Emerging Markets Investment Trust (TEMIT)



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Fund Description

TEMIT seeks long term capital appreciation through investment in companies listed in emerging markets or companies which earn a significant amount of their revenues in emerging markets, but are listed on stock exchanges in developed countries.

Fund Details

Inception 12 June 1989

Benchmark MSCI Emerging Markets Index

Portfolio Manager Insight

Market Review

Global stock markets declined in February as a widening coronavirus outbreak heightened world economic growth concerns. Emerging market (EM) equities fell but fared better than developed market stocks. Oil prices retreated on a softer outlook for demand. The MSCI Emerging Markets Index fell by 2.2%, while the MSCI World Index lost 5.5%, both in sterling terms.

A surge in coronavirus infections outside China, where the outbreak began, pressured several Asian markets and prompted the rollout of monetary and fiscal stimulus in the region. South Korea reported the second-highest number of coronavirus cases worldwide, behind China. India contended with virus fears, as well as a slower pace of economic growth in the quarter to end-2019. However, China's stock market showed signs of recovery as the outbreak appeared to be easing in the country. Interest-rate cuts and fiscal support from the authorities, coupled with market expectations for more stimulus, also lifted investor sentiment. Though the outbreak could have a near-term economic impact on several markets, we believe that stimulus measures and pent-up demand could drive a recovery when the virus has been contained.

The contagion's spread and its impact on commodity prices weighed on Latin American markets. Brazilian equities declined amidst soft economic data and a depreciation in the Brazilian real. The central bank trimmed its key interest rate further to a new low. We expect lower interest rates in Brazil to drive a shift in assets from cash to equities as investors seek better returns. Mexico's stock market retreated. The central bank cut its benchmark interest rate and reduced its economic growth forecast for the year.

Markets in the Europe, Middle East and Africa region lost ground as they were affected by a major coronavirus outbreak in Italy. Russian equities were held back by a drop in oil prices and a weaker Russian rouble. Russia's central bank cut its key interest rate during the month. Stocks in South Africa declined. The country slipped into a technical recession in the final quarter of 2019, exerting pressure on the South African rand.

Performance

For the month ending 29 February 2020, TEMIT's share price fell by 6.2%, its Net Asset Value (NAV) fell by 1.7% and its benchmark, the MSCI Emerging Markets Index, fell by 2.2% in sterling terms.

Discrete Performance – to Each Year Ended 29 February (Dividends Reinvested)

As at 29 February	2020	2019	2018	2017	2016
Share Price	3.3%	-2.7%	21.7%	62.2%	-27.0%
Net Asset Value	9.1%	-5.8%	20.1%	60.3%	-25.1%
Benchmark	2.6%	-6.3%	18.3%	45.5%	-14.8%

Cumulative Performance as at 29 February 2020 (Dividends Reinvested)

	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs
Share Price	-4.8%	3.3%	22.4%	44.8%	66.7%
Net Asset Value	-0.9%	9.1%	23.4%	48.2%	77.5%
Benchmark	-1.7%	2.6%	13.7%	41.0%	68.8%

Annualised Performance as at 29 February 2020 (Dividends Reinvested)

	3 Yrs	5 Yrs	10 Yrs
Share Price	7.0%	7.7%	5.2%
Net Asset Value	7.3%	8.2%	5.9%
Benchmark	4.4%	7.1%	5.4%

Source: Franklin Templeton Investments. Performance details are in sterling, include reinvested dividends net of basic rate UK tax and are net of management fees. Sales charges and other commissions, other taxes and relevant costs to be paid by an investor are not included in the calculations.

Past performance is not an indicator or a guarantee of future performance. The value of shares in TEMIT and income received from it can go down as well as up, and investors may not get back the full amount invested. Currency fluctuations may affect the value of overseas investments. An investment in TEMIT entails risks which are outlined on the next page.

Portfolio Changes & Positioning

We added to our position in **Itau Unibanco**, a Brazil-based lender we favour in view of potential credit growth in the country as interest rates decline. We increased investments in financials and energy at the sector level, and in Brazil and India at the market level. Repurchases of TEMIT's own shares also occurred in the month.

Meanwhile, we reduced holdings in **information technology**, **communication services** and **consumer staples** from a sector perspective. By market, we undertook some sales in **China**, **Russia** and **the United States** (represented by US-listed **Cognizant Technology Solutions**, which derives much of its earnings from technology services provided in India).

Performance Attribution

Key stock contributors to the fund's performance relative to the benchmark MSCI Emerging Markets Index included chip maker **Taiwan Semiconductor Manufacturing Company (TSMC)**, China-based internet company **Tencent** and cement producer **China Resources Cement**.

TSMC showed resilience in the face of a weaker outlook for smartphone sales in virus-hit China. Demand for Tencent's mobile games and other online services surged as people stayed home to avoid the virus. China Resources Cement rose on market expectations for China to boost infrastructure spending and shore up economic growth.

By sector, stock selection in both **information technology** and **materials** boosted relative returns, as did an overweight to **communication services**. Analysing returns by market, **Taiwan**, **South Africa** and **Brazil** drove relative strength, all due to stock selection.

In contrast, notable stock detractors from relative returns included Russian integrated energy company **Lukoil**, South Korea-based insurance provider **Samsung Life Insurance** and UK-based **Unilever**, a global consumer goods company that generates more than half of its sales in EMs.

Lower oil prices weighed on Lukoil. Samsung Life Insurance fell along with the broader South Korean market as coronavirus concerns deepened. The virus' spread in Europe also hung over Unilever. We believe that the longer-term fundamentals of these companies remain sound, despite the near-term weakness in their stocks.

In sector terms, stock selection in **financials** and **health care**, as well as a lack of exposure to **real estate**, checked relative performance. By market, an overweight to **Russia**, an underweight to **China** and an off-benchmark exposure to **the United Kingdom** were areas of relative weakness.

Outlook

The global spread of the coronavirus has led EMs and developed markets to fall in tandem. While we have seen a fall in daily new cases in earlier-impacted countries such as China, large outbreaks in countries such as South Korea and Italy have pushed up the global number. Government policies should remain supportive as the authorities act to help affected segments of the economy. However, the scale and duration of global demand destruction resulting from measures to contain the virus remain unknown.

The structural themes which we believe in remain unchanged—we expect technology and consumption to play key roles in longer-term EM growth. Though weak consumer sentiment in the near term has affected discretionary spending, we have seen an increase in online activities that could benefit certain e-commerce, internet and software companies.

We have been assessing the outbreak's impact on our portfolio holdings. While it could affect near-term earnings, it has not materially altered our conviction in the longer-term growth drivers that we see. Short-term market volatility could also create opportunities for us to add to positions that we consider oversold.

Companies which we favour tend to offer exposure to areas of structural growth, and possess competitive advantages that could help them to gain market share. We are also drawn to companies with sustainable earning streams, strong cash flows and healthy balance sheets. In our view, such businesses could be better positioned to withstand uncertain macroeconomic conditions.

WHAT ARE THE KEY RISKS?

The value of shares in the Templeton Emerging Markets Investment Trust (TEMIT) and any income received from it can go down as well as up and investors may not get back the full amount invested. There is no guarantee that TEMIT will meet its objective. TEMIT invests in equity securities of emerging markets companies. Emerging markets have historically been subject to significant price movements, often to a greater extent than more established equity markets. As a result, the share price and net asset value of TEMIT can fluctuate significantly over relatively short time periods. Other significant risks include borrowing risk and share price discount to NAV risk. For more details of all the risks applicable to TEMIT, please refer to the Key Information Document, Investor Disclosure Document and the risk section in TEMIT's Annual Report, which can be downloaded from our website – www.temit.co.uk

IMPORTANT INFORMATION

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