

Templeton Emerging Markets Investment Trust (TEMIT)



Carlos Hardenberg
(Lead Manager)



Chetan Sehgal
(Portfolio Manager)

Fund Description

TEMIT seeks long-term capital appreciation through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries. This may include companies which have 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 equity markets remained on an upward trend in January, despite some volatility late in the month. Investor sentiment for most of the month was positive, amidst continued signs of global economic growth and strong corporate earnings. Emerging-market equities enjoyed a strong start to the year as they gained pace in January and outperformed developed-market stocks. The MSCI Emerging Markets Index returned 3.1%, compared with a 1.5% gain in the MSCI World Index, both in US dollars. Strong fund inflows and higher commodity prices continued to drive returns in equities.

Asian equities rose in January but trailed emerging markets as a whole. Thailand, China and Pakistan were among the top performers in the region. In Thailand, the finance ministry raised its 2018 economic growth forecast on the back of a brighter outlook for exports. China gained as its economy grew faster than expected in the fourth quarter and expanded 6.9% in 2017, marking its first annual acceleration in seven years. The Philippines, Indonesia, India and South Korea, however, lagged their peers, with declines in sterling terms.

Latin America was the best-performing region in January driven by a supportive global environment, higher commodity prices and stronger regional currencies. The Brazilian market ended the month with a double-digit return on easing political uncertainty following the Federal Court's decision to uphold ex-president Lula's conviction and encouraging macroeconomic data.

The Russian market, largely driven by higher oil prices and a strong rouble, led performances in Europe. Despite the continuation of equity inflows following the victory of a more market-friendly candidate as leader of the ruling African National Congress, South Africa was among the weakest markets in January.

Performance

For the month ending 31 January 2018, TEMIT's share price rose by 4.6%, its Net Asset Value (NAV) rose by 1.8% and its benchmark, the MSCI Emerging Markets Index, rose by 3.1% in sterling terms.

Discrete Performance – to Each Year Ended 31 Jan. (Dividends Reinvested)

As at 31 January	2018	2017	2016	2015	2014
Share Price	34.2%	58.4%	-29.0%	15.0%	-19.7%
Net Asset Value	28.0%	56.9%	-27.1%	16.5%	-17.8%
Benchmark	25.2%	41.9%	-16.0%	15.6%	-13.0%

Discrete Performance – to Each Year Ended 31 Dec. (Dividends Reinvested)

As at 31 December	2017	2016	2015	2014	2013
Share Price	32.5%	47.9%	-24.0%	5.0%	-8.9%
Net Asset Value	30.8%	49.2%	-23.1%	7.0%	-9.0%
Benchmark	25.8%	33.1%	-9.7%	4.3%	-4.1%

Cumulative Performance as at 31 January 2018 (Dividends Reinvested)

	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs
Share Price	5.7%	34.2%	51.0%	39.3%	127.8%
Net Asset Value	2.5%	28.0%	46.5%	40.3%	123.5%
Benchmark	5.1%	25.2%	49.3%	50.1%	111.4%

Annualised Performance as at 31 January 2018 (Dividends Reinvested)

	3 Yrs	5 Yrs	10 Yrs
Share Price	14.7%	6.9%	8.6%
Net Asset Value	13.6%	7.0%	8.4%
Benchmark	14.3%	8.5%	7.8%

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. Copyright © 2018 Morningstar, Inc. All rights reserved.

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

Geographically, investments in China, Mexico and South Korea were increased the most. In terms of sectors, some purchases were made in telecommunication services and information technology. Repurchases of TEMIT's own shares were also made during the month. The Investment Manager reduced holdings in a number of existing companies in the consumer discretionary, utilities and financials sectors. Holdings in Indonesia and India were also decreased.

Performance Attribution

Leading stocks contributors relative to the benchmark MSCI Emerging Markets Index were overweight positions in Brazilian banks, **Itau Unibanco** and **Banco Bradesco**, and **Yandex** in Russia. In terms of sectors, stock selection and underweight positions in telecommunication services, utilities and materials were key contributors to relative performance. Geographically, stock selection in Russia, India and Brazil contributed the most to relative performance.

Major stock detractors from relative performance included overweight positions in **Brilliance China Automotive** in China and **Samsung Electronics** in South Korea, and **China Construction Bank**, which was not in the portfolio. In terms of sectors, consumer discretionary, where both stock selection and overweight exposure had a negative impact, detracted the most. Stock selection in information technology, financials and health care also had a negative impact. In terms of markets, stock selection in China, where an underweight position also generated negative attribution effects, and South Korea weighed on relative performance.

Outlook

We expect the global economic environment to remain favourable, driven by pro-business policies, increased investment, high liquidity and emerging-market growth. The International Monetary Fund raised its global gross domestic product (GDP) growth forecasts for 2018 and 2019 from 3.7% to 3.9%, in part due to improving growth in the US economy and continued solid expansion in China. Earnings growth, fund inflows and a rebound in commodity prices also bode well for some emerging markets.

Key areas of risk include uncertainty about the US administration's policies, as well as the ability of China to continue its growth while making structural adjustments. US monetary policy shifts also remain a source of apprehension for many market participants. There may be volatility ahead, but, many emerging markets have stronger reserve positions and lower external debt today than historically, which makes them less vulnerable to external shocks. Moreover, emerging countries each have their own idiosyncratic domestic drivers and hence are less correlated to one another and the global market as a whole.

Looking ahead, our core themes of IT and consumerism remain, and we continue to identify opportunities within these areas. We believe that we are still in the early innings of the earnings growth upturn, and that valuations and sentiment continue to be conducive to further gains in emerging markets.

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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References to particular industries, sectors or companies are for general information and are not necessarily indicative of TEMIT's holding at any one time. References to indices 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 Investments fund. All MSCI data is provided "as is." The portfolio described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the portfolio described herein. Copying or redistributing the MSCI data is strictly prohibited.

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Franklin Templeton Investment Management Limited
Cannon Place,
78 Cannon Street,
London, EC4N 6HL
0800 305 306
temit.co.uk