



FTF Martin Currie European Unconstrained Fund

Franklin Templeton Funds

W (acc)
31 January 2023

Fund Commentary

Performance Review

- Equity markets collectively rose in January 2023, as the ending of China's zero-COVID policy in late December helped markets to a strong start to the year, benefitting many European consumer-related stocks. The market rally was further reinforced by signs that inflation might have peaked, and there was some optimism that many central banks might be close to the peak of the rate hiking cycle. In addition to improving consumer sentiment, there was also some positive movement from European leading indicators.
- For the month, the fund's W (acc) shares returned 5.62%, and its benchmark, the MSCI Europe ex-UK Net Dividends Index, returned 6.84%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	ASML Holding	Information Technology
	Moncler	Consumer Discretionary
	Ferrari	Health Care
HURT	Oxford Nanopore Technologies	—
	Atlas Copco	—
	Linde	—

- ASML Holding, a Dutch semiconductor equipment manufacturer, reported better-than-expected fourth-quarter 2022 earnings results and guided for a greater than 25% net sales growth in 2023; however, uncertainty remains about any further restrictions on ASML's sales into China. Moncler, an Italian luxury jacket manufacturer, benefitted from China's economic reopening in January. Although the company was impacted by COVID lockdowns during its winter season, many investors focused on the positive impact of customers being able to travel freely around Europe. Ferrari, a luxury car maker, was a strong performer in January as many investors considered how robust its fourth-quarter 2022 earnings results would be. The results, disclosed in early February, didn't disappoint with a double-digit percentage organic growth. Management's guidance for 2023 was stronger than consensus expectations, boosted by a richer mix of models, including the Purosangue and the Daytona SP3.
- On the negative side, genetic sequencing firm Oxford Nanopore Technologies released a trading statement detailing 2022's sales progress; although the results were within previous guidance, sales were below consensus expectations. We have noticed that the firm's peers have lowered guidance materially, resulting from a number of headwinds including delays to laboratory expansions and disruptions from China. In contrast, Oxford Nanopore has reiterated both its 2023 revenue expectations as well as its 2026 medium-term guidance. Swedish industrial equipment firm Atlas Copco and industrial gases producer Linde also detracted modestly from performance.

Outlook & Strategy

- There were no changes to the portfolio over the month.
- We believe equity markets may not need central banks to pivot from rate hikes to rate cuts to bring support for equity markets; all that might be required is a stabilisation in interest-rate expectations and anticipation of the end to the hiking cycle. This could be supportive, in our view, both for equity markets and for quality growth style leadership versus value.
- Europe's economic momentum will be significantly influenced by the momentum of the Chinese economy given Europe's exposure to the Chinese market and the more cyclical exposure of the European market. Any further shift in China's policy could potentially lead to a rapid improvement in Chinese leading indicators, which we believe would in turn lead to an improvement in the global, and therefore European, economic cycle.

Fund Details

Inception Date	23/09/2022
Benchmark	MSCI Europe ex-UK Net Dividends Index
IA Sector Peer Group	IA Europe Excluding UK

Fund Description

The Fund aims to grow in value over five years or more after all fees and costs are deducted. There is no guarantee that the Fund will achieve its objective over this or any other time period. Capital invested is at risk and you may get back less than you paid in.

Performance Data¹

Discrete Annual Performance (%) as at 31/01/2023

	1/22 1/23	1/21 1/22	1/20 1/21	1/19 1/20	1/18 1/19	1/17 1/18	1/16 1/17	1/15 1/16	1/14 1/15	1/13 1/14
W (acc)	-10.10	3.46	23.18	25.54	-6.50	14.03	20.13	-3.73	6.88	12.84
MSCI Europe ex-UK Net Dividends Index GBP	4.17	13.13	6.76	14.64	-8.20	16.50	23.23	-2.45	6.64	11.00
Peer Group Average	2.93	10.59	10.07	14.19	-10.23	17.49	24.20	0.33	6.72	12.01

Performance Net of Management Fees as at 31/01/2023 (Dividends Reinvested) (%)^{a,b}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (06/05/1985)
W (acc)	5.62	10.61	5.62	-10.10	4.64	6.11	7.90	9.53
MSCI Europe ex-UK Net Dividends Index	6.84	14.22	6.84	4.17	7.96	5.78	8.18	-
Peer Group Average	5.96	13.75	5.96	2.93	7.81	5.13	8.44	10.31
Quartile Ranking	2	4	2	4	4	2	3	4

The W (acc) share class launched on 23/09/2022. Performance data prior to this date was for the X GBP ACC share class launched on 06/05/1985, which had equal or higher annual charges.

Please refer to the "How We Measure Performance" section for more details about the benchmark.

Investment Team

Zehrid Osmani
Years with Firm 4
Years Experience 26

Sam Cottrell, CFA
Years with Firm 8
Years Experience 9

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 does not offer any capital guarantee or protection and you may not get back the amount invested. The Fund is in its risk/reward category because a concentrated investment (the fund holds fewer investments than many other funds) in shares of companies from various European, excluding the UK, countries and sectors has historically been subject to large fluctuations in value. As a result, the performance of the Fund can fluctuate significantly over relatively short time periods. Risks materially relevant not adequately captured by the indicator: **Derivative Instruments risk:** the risk of loss in an instrument where a small change in the value of the underlying investment may have a larger impact on the value of such instrument. Derivatives may involve additional liquidity, credit and counterparty risks. **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. **Foreign Currency risk:** the risk of loss arising from exchange-rate fluctuations or due to exchange control regulations. For a full discussion of all the risks applicable to this Fund, please refer to the "Risk Factors" section of the current prospectus of Franklin Templeton Funds.

How We Measure Performance

We measure performance and price shares in the Fund in British pounds (GBP).

- We measure performance against the MSCI Europe ex UK Net Dividends Index, as it is widely available and reflects investments in similar assets to those in which the Fund will invest.
- The Fund's performance can also be compared against the Investment Association Europe (excluding UK) sector average, which reflects the performance of the Fund's competitors.

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An investment in the Fund entails risks which are described in the Fund's prospectus and the relevant KIID. **The value of shares in the Fund and any income received from them can go down as well as up, and investors may not get back the full amount invested. Past performance is not an indicator, not a guarantee, of future performance.** Where a fund invests in a specific sector or geographical area, the returns may be more volatile than a more diversified fund.

There is no guarantee that the Fund will achieve its objective. For a free copy of the latest prospectus, the SID, the relevant KIID, the annual report and semi-annual report, if published thereafter or for more information about any Franklin Templeton fund, UK investors should contact: Franklin Templeton, Telephone: 0800 313 4049, Email: ftisalessupport@franklintempleton.co.uk or write to us at the address below. Alternatively, the information can be downloaded from our website www.franklintempleton.co.uk.

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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.



Franklin Templeton Investment Management Limited
Cannon Place
78 Cannon Street
London EC4N 6HL
0800 313 4049
franklintempleton.co.uk

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