



# Franklin U.S. Opportunities Fund

Franklin Templeton Investment Funds

A (acc) USD  
30 September 2024

## Product Commentary

### Performance Review<sup>1</sup>

#### Past performance does not predict future returns.

- US equities collectively finished the third quarter of 2024 with record-high performance, helped by encouraging data showing cooling inflation, resilient job growth and improved consumer sentiment. The US Federal Reserve's (Fed's) robust interest-rate cut was another positive catalyst that drove stocks higher. Over the quarter, value stocks generally outpaced growth stocks while small- and mid-capitalisation stocks outperformed large-cap equities as many investors rotated away from large-cap technology-related stocks.
- For the quarter, the fund's A (acc) USD shares returned 3.31%, and its benchmark, the Russell 3000 Growth Index, returned 3.42%.
- The fund underperformed the broader Standard & Poor's 500 Index, which returned 5.89% for the quarter.

#### QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Axon Enterprise Inc	Industrials (Stock Selection, Overweight)
	Microsoft Corporation	Communication Services (Stock Selection)
	Vaxcyte, Inc.	Health Care (Stock Selection)
HURT	Apple Inc.	Consumer Discretionary (Stock Selection)
	CrowdStrike Holdings, Inc. Class A	Consumer Staples (Stock Selection)
	Pinterest, Inc. Class A	Real Estate (Stock Selection)

- The fund trailed the Russell 3000 Growth Index benchmark in the third quarter. Fund performance was dampened by a position in CrowdStrike Holdings in the information technology (IT) sector. A global technology outage in mid-July caused by a system update error led to a sharp selloff of CrowdStrike's stock. While the event was not due to a security breach and systems were restored quickly, the cybersecurity specialist's stock-price pullback continued, though it has since partially recovered as the company recently reaffirmed its long-term targets.
- In the communication services sector, Pinterest saw a decline in its stock price as its revenue growth was forecasted to slow in the third quarter due to tougher comparisons and due to softness in food and beverages advertisers. However, we see potential for the company's platform to better monetise its large user base and expand into international markets.
- In contrast, the fund delivered solid performance in the industrials sector where Axon Enterprise was a leading contributor. The company, which provides technology products for law enforcement agencies, issued strong second-quarter 2024 earnings results from growth in its artificial intelligence and cloud services businesses.

#### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Vaxcyte, Inc.	Consumer Staples (Stock Selection)
	Fair Isaac Corporation	Industrials (Stock Selection)
	Meta Platforms Inc Class A	Communication Services (Stock Selection)
HURT	McKesson Corporation	Consumer Discretionary (Stock Selection)
	Astrazeneca PLC Sponsored ADR	Materials
	Republic Services, Inc.	—

- The fund underperformed the Russell 3000 Growth Index benchmark in September, though its absolute return was positive. A position in pharmaceutical distributor McKesson was a leading detractor in the health care sector. The company has been hurt by slowing demand for branded drugs, which dragged on sales in its US pharmaceuticals unit. We view McKesson as a high-quality business that holds a dominant position in a consolidated industry exposed to long-term growth trends, including ageing demographics, drug price inflation and specialty drug growth.
- Also in the health care sector, AstraZeneca's stock experienced a decline in September primarily due to the disappointing outcomes from its lung cancer and breast cancer trials. Results showed that these experimental drugs did not significantly improve overall survival rates for patients. We view AstraZeneca as a diversified business with a strong pipeline and low exposure to patent expirations.
- In contrast, Vaxcyte's share price reached a record high after the company said its experimental pneumococcal vaccine showed promising results in an early-stage trial. Vaxcyte is a pharmaceutical company that develops novel vaccines that are designed to be potentially best-in-class in well-established vaccine markets, and it is working on expanding its product line to cover more serotypes and age groups.

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

## Outlook & Strategy

- The Fed has shifted its focus from inflation to employment, helping to ensure the health of the US economy. We believe the monetary easing currently taking place should be a tailwind for financial markets for the rest of this year and arguably into 2025.
- US equity performance continues to be supported by generally strong earnings results and resilient consumers, which have helped to offset some impact from elevated interest rates. Market participation has recently broadened from the “Magnificent Seven” group of mega-capitalisation technology-related companies to more diverse sectors and market-cap sizes. We believe this will be an interesting dynamic over the next year.
- We continue to see many of the secular growth themes such as digital transformation, health care innovation, and reindustrialisation and electrification in the industrials sector as tailwinds to broader economic growth.
- While some data has shown a modest slowdown in the US economy, we are still forecasting growth to accelerate in the fourth quarter of 2024 and remain strong in 2025. However, stronger-than-expected growth may make the Fed more cautious about interest-rate cuts. We aim to navigate uncertainty by positioning the fund to potentially remain robust across various scenarios—both economic and political—and make necessary adjustments that, in our assessment, shouldn’t compromise long-term performance.

## Fund Details

Inception Date	03/04/2000
Benchmark	Russell 3000 Growth Index, S&P 500 Index

## Fund Description

The fund aims to achieve capital appreciation by investing principally in equity securities of US companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. These include small-, medium- and large-capitalisation companies with strong growth potential across a wide range of sectors that have exceptional growth potential and fast-growing, innovative companies within these sectors.

## Performance Data<sup>2</sup>

Past performance does not predict future returns.

Performance Net of Management Fees as at 30/09/2024 (Dividends Reinvested) (%)<sup>a</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (acc) USD	2.64	3.31	22.63	41.06	3.41	13.97	11.93	5.20
Net of Sales Charge - A (acc) USD	-2.49	-1.86	16.49	34.00	1.66	12.82	11.36	4.98
A (acc) SGD	1.12	-2.05	19.44	32.64	1.53	12.32	12.01	8.46
Net of Sales Charge - A (acc) SGD	-3.93	-6.95	13.46	26.01	-0.20	11.18	11.44	8.14
Russell 3000 Growth Index USD	2.76	3.42	24.00	41.47	11.31	19.08	16.04	7.35
Russell 3000 Growth Index SGD	1.21	-1.98	20.76	32.99	9.29	17.36	16.12	11.62
S&P 500 Index USD	2.14	5.89	22.08	36.35	11.91	15.97	13.38	7.64
S&P 500 Index SGD	0.59	0.36	18.89	28.18	9.88	14.29	13.46	9.57

The Inception Date for the A (acc) USD share class and A (acc) SGD share class is 03/04/2000 and 25/10/2007 respectively.

## Investment Team

**Grant Bowers**  
Years with Firm 31  
Years Experience 31

**Sara Araghi, CFA**  
Years with Firm 21  
Years Experience 21

**Anthony J. Hardy, CFA**  
Years with Firm 9  
Years Experience 15

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

## 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 companies located in or doing significant business in the U.S. 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 considerably over time. Other significant risks include: **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.**

Franklin U.S. Opportunities Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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**Past performance is not necessarily indicative nor a guarantee of future performance of the Fund.** Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or authorised distributors of the Fund. Potential investors should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, the Fund is not available to U.S. Persons and Canadian residents.

**Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of the Fund. In the event an investor chooses not to seek advice from a financial adviser, he/she should consider whether the Fund is suitable for him/her.**

In addition, a summary of investor rights is available from <https://www.franklintempleton.com.sg/summary-of-investors-rights.pdf>. 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.

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The benchmarks are used for performance comparison purposes. The Russell 3000 Growth Index is considered the Fund's primary benchmark because it consists of growth securities, which is aligned with the investment manager's focus on growth securities in managing the Fund. The performance of the S&P 500 Index may also be provided because it is considered a proxy for the US equity market. While the Investment Manager is unconstrained in the active management of the Fund and has absolute discretion to invest in companies not included in the benchmarks, the Fund's performance may, from time to time, present close similarities to these benchmarks.

[www.franklintempleton.com.sg](http://www.franklintempleton.com.sg)



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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 Investments. Benchmark related data provided by FactSet. Fund performance computed in share class currency, on NAV-NAV basis and dividends reinvested. Net of Sales Charge figures are after 5% sales charge. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Other commissions, taxes and other relevant costs paid by investor are not included.



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