



FRANKLIN TEMPLETON
INVESTMENTS

BEAUTIES IN THE BACKYARD - SMALLER COMPANIES IN EMERGING ASIA

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Franklin Templeton Emerging Markets Equity

May 2022

This is a marketing communication.
Please refer to the prospectus of the UCITS and to
the KIID before making any final investment decisions.

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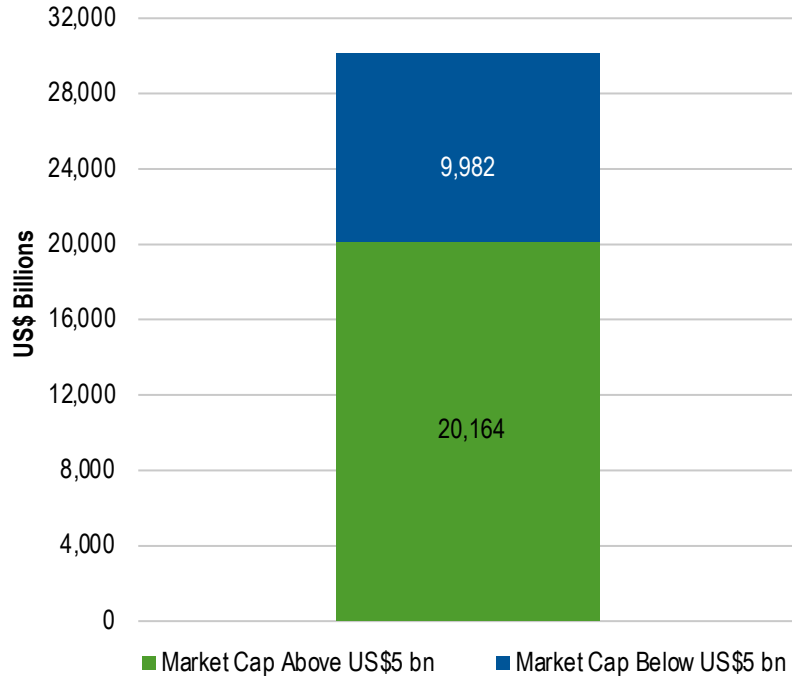
Ample Investment Opportunities in Smaller Companies

Emerging Asia offers a large and liquid small- and midcap universe



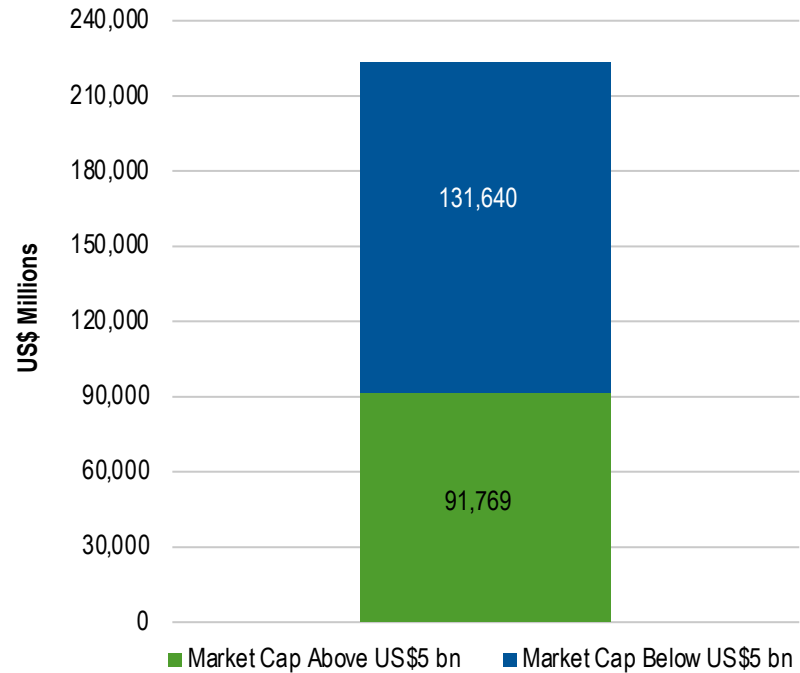
Market Capitalization in Emerging Asia¹

As of 31 December 2021



Average Daily Value Traded in Emerging Asia^{1,2}

As of 31 December 2021



1. Includes countries in the MSCI All Country Asia ex-Japan Index and MSCI Asia Frontier Markets Index.

2. 30-day daily average.

Source: Bloomberg LP; MSCI.

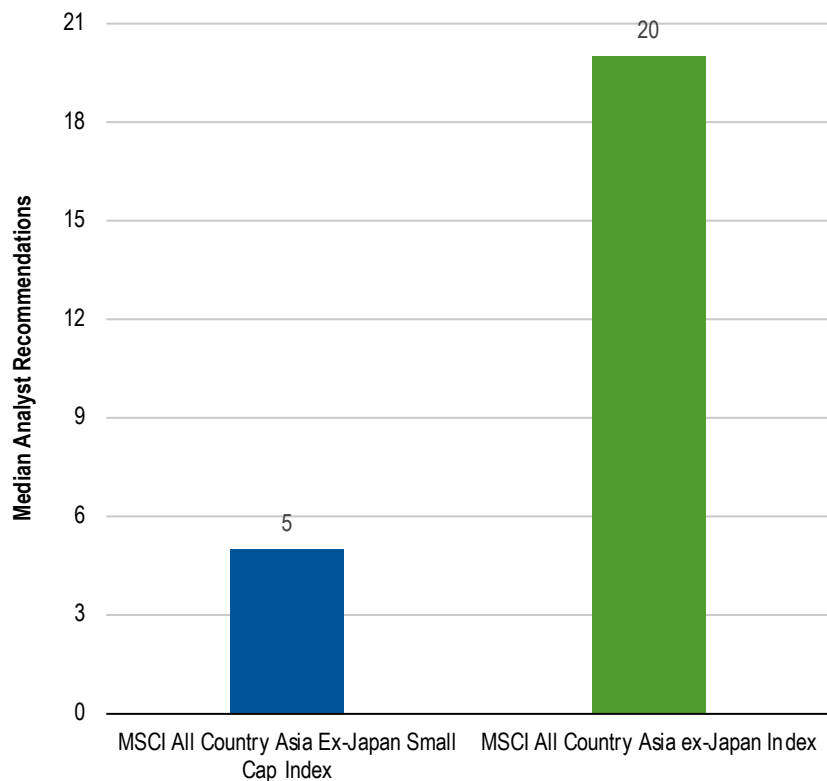
Smaller Companies in Emerging Asia are Under-Researched

Favorable environment for active investors with own local research base



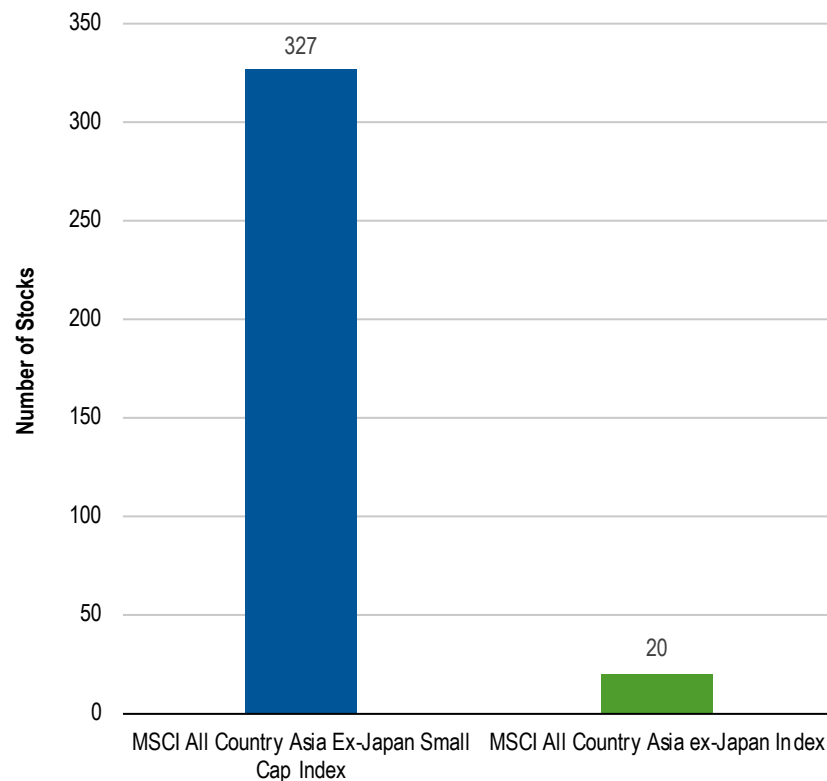
Median Sell Side Analyst Recommendations per Index Stock

As of 31 December 2021



Index Stocks with Single or No Sell Side Recommendations

As of 31 December 2021



Source: Bloomberg, MSCI.

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Consumption & Technology are Key Investment Themes

Leveraging long-term regional trends

Consumption



Asia Consumption Trends:

- Premiumization
- Under-penetration
- Experience

Technology



Disruption and Innovation:

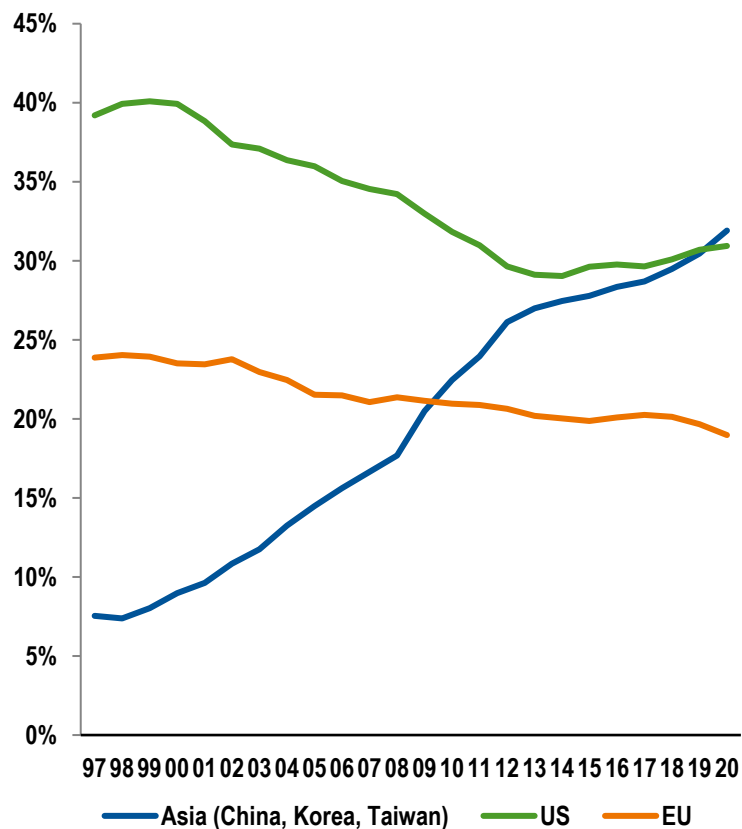
- Smart Devices
- E-Commerce
- FinTech

China, Korea and Taiwan are leading innovation in Asia

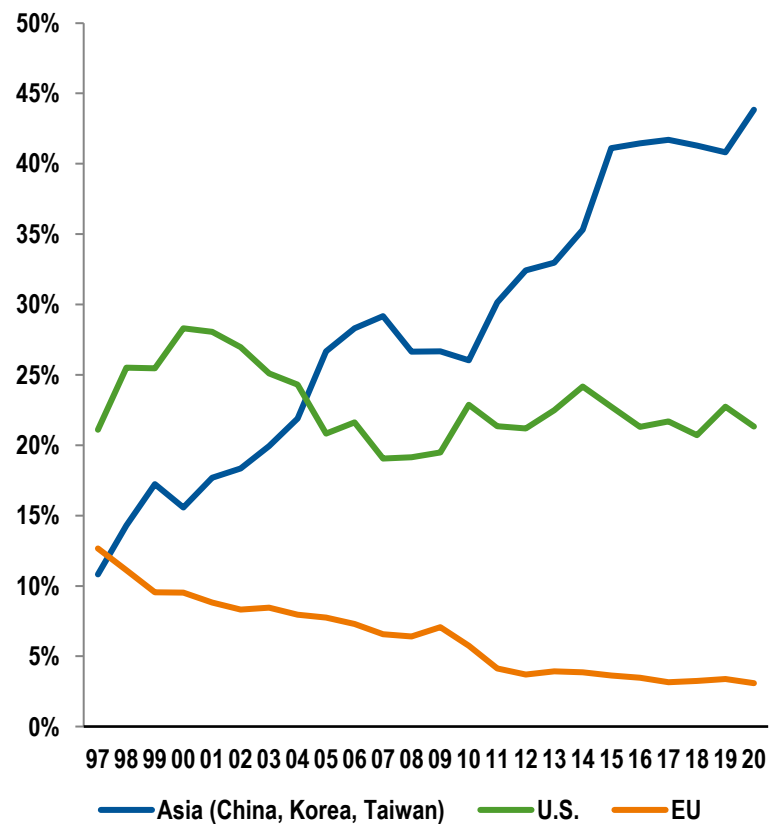
Higher R&D expenditure increases share of global patent grants



Share of Global Gross Domestic Expenditure on R&D (%)



Share of Global Patent Grants (%)



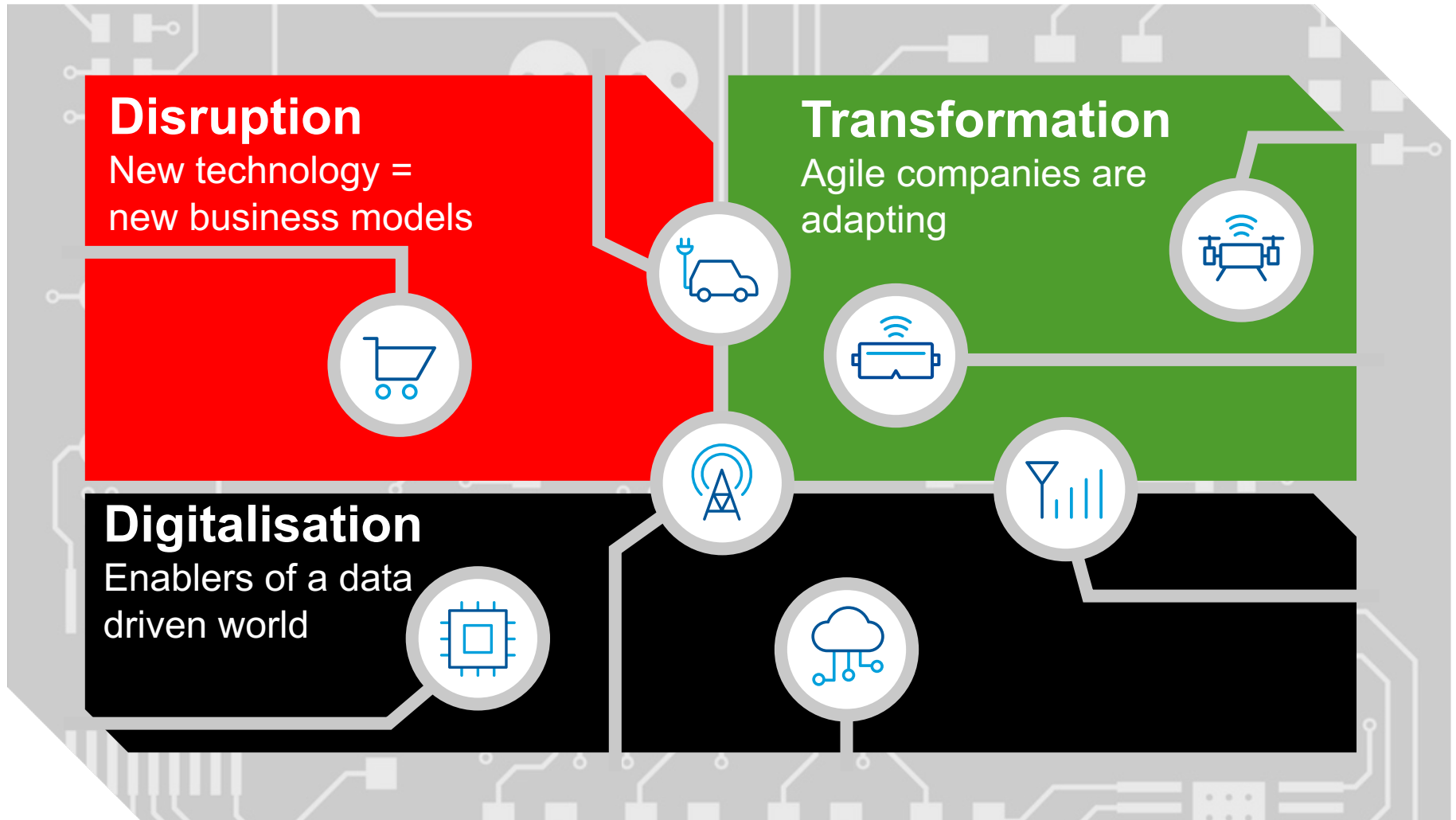
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Source: OECD, WIPO, TIPO

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Innovation is a Cornerstone of Emerging Asia Growth

Disruption – Transformation - Digitalization



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Disruption – New Energy

Energy of the Past vs. Energy of the Future

Global Market Share of Production (Oil & Solar Modules)¹

2019



Solar market share of primary energy production has grown **10x** in ten years but remains only **1%** of total

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1. Source: US Energy Information Administration (EIA), International Energy Statistics, 1 December 2020. Production includes domestic production of crude oil, all other petroleum liquids, biofuels, and refinery processing gain. Right: International Energy Agency (IEA) Photovoltaic Power Systems Programme (PVPS), "Trends in Photovoltaic Applications 2020".

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Xinyi Solar produces and sells solar glass products. The company also provides R&D, manufacturing automation, process optimization, technical sales support and after-sales services of solar glass products.

Structural



- Growing adoption of green and renewable energy.
- China targets being carbon-neutral in 2060.

Sustainable Earnings Power At a Discount



- Global No.1 solar glass provider with approx. 30% market share in China.
- Diversification of more than 100 customers globally.
- Economies of scale is leading to lower raw material costs and higher margins.

Stewardship / ESG



- Generation of solar energy for both sales and internal use aims to offset carbon emission from solar glass production.
- Continuing efforts towards reducing greenhouse emissions and packaging efficiency.
- Looking to build diversity from a family-based organization.

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Holdings of the same issuers have been combined.

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Transformation – Electric Vehicle Batteries

Asia Dominates Production



Global Market Share of EV Battery Manufacturers 2020



“Despite **>10x sales growth** in the last decade, EVs remain **<1% of global cars** and batteries are the highest value component”

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Source: Left: International Energy Agency. Global EV Outlook 2020, *Bar Chart numbers for respective regions are aggregated total EV numbers (Battery and Plug-in Hybrid); Right: CLSA, Country market share numbers made up of top 9 EV battery companies with at least 2% global market share.

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L&F develops and manufactures battery materials. It specializes in high-Nickel NCM and NCMA solutions required for high performance batteries used in electric vehicles (EV), energy storage solutions (ESS) and IT applications.

Structural



- Beneficiary of the rising EV penetration trend.
- Key supplier to large EV battery manufacturer, LG Energy Solution (#2 market share*) and SK ON (#3 market share*).
- Sole supplier of high-nickel NCMA battery cathodes, used by Tesla in its EVs for the foreseeable future.

Sustainable Earnings Power At a Discount



- Global EV sales volumes forecast to grow at 35% CAGR over the next decade.
- L & F is ramping up capacity from 48kt to 140kt in 2023 and 250kt in 2025.
- Binding contracts have full metal price pass-through, protecting margins from battery mineral price volatility.

Stewardship / ESG



- 100% of sales are critical components in lithium batteries.
- L&F is an enabler of the energy transition & decarbonisation in passenger mobility.
- Sourcing of materials is contentious issue in EV batteries. L & F does not mine its own materials.
- Company joined the Responsible Cobalt Initiative (RCI) in 2016.

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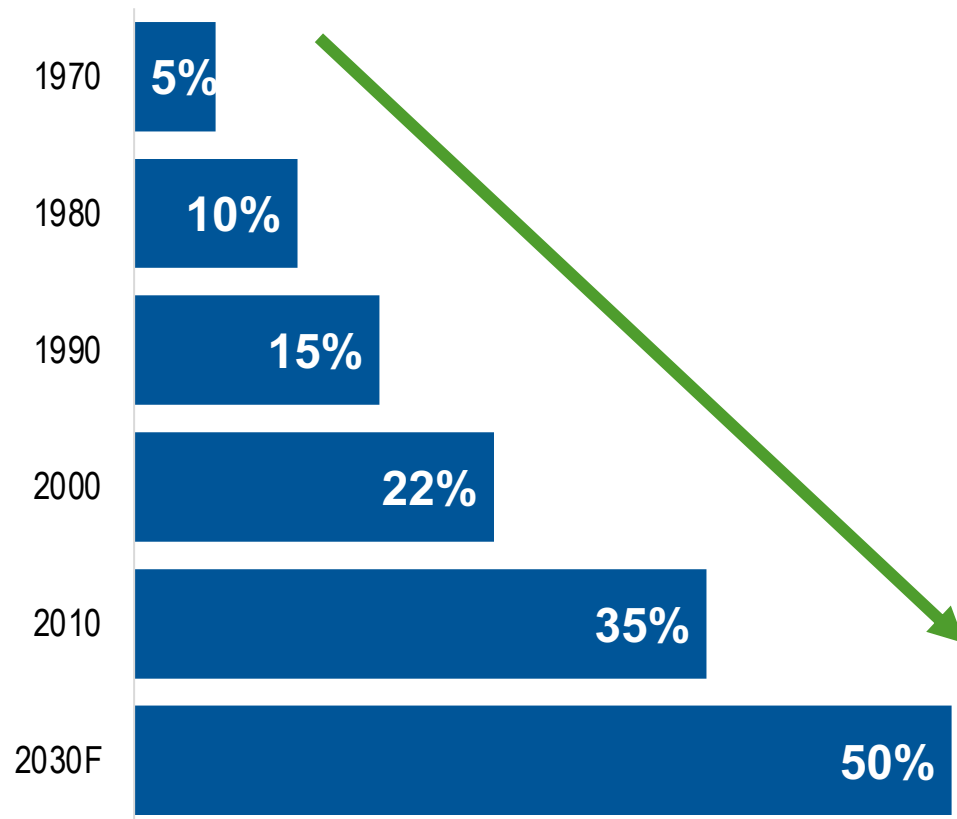
Digitalization – Semiconductors

Powering Modern Life & Made in Asia



Electronic Systems as a % of Total Car Cost

Year on Year (%)



“Asia leads in manufacturing technology. By mid-2020 **TSMC** produced >1bn 7nm chips, defect-free, while Intel has yet to start mass production.”

For illustrative and discussion purposes only.

Source: LHS: Deloitte; RHS: World Semiconductor Trade Statistics (WSTS) Semiconductor Market Forecast Autumn 2020, 1 December 2020

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Kinsus is one of the major IC substrate makers in the world with 6% and 13% market shares in ABF (Ajinomoto build-up film) and BT (bismaleimide-triazine resin), respectively. IC substrate is an essential component for packaging base IC chips.

Structural



- ABF demand driven by 5G development and rising use in Server, Artificial Intelligence, and Automobile applications, requiring higher layer counts and larger size of IC substrate.
- BT demand driven by recovery of smartphone industry, 5G migration and rising adoption of AiP (Antenna-in-Package) and SiP (System-in-Package) designs.

Sustainable Earnings Power At a Discount



- Positive structural industry growth and increasing market position.
- Aggressive capacity expansion plan since 2019, securing top-line growth in coming years.
- High barriers-to-enter in a capex-intensive industry.
- Profitability improving due to favorable product mix shift.

Stewardship / ESG



- Innovations result in more advanced, capable, intelligent, energy-efficient, and safer IC substrate products.
- Energy saving and carbon reduction measures. In 2019, Kinsus achieved its target of saving 1,700 kWh of electricity and 865 tons of CO2 emissions.

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Asia Small Cap Strategy Overview

Franklin Templeton Emerging Markets Equity



Expertise

- Pioneers in EM investing with a team of 70+ investment professionals in 13 countries
- Extensive local research integrated with cross border global insights, group support



Investment Philosophy

- Sustainable earnings power at a discount to intrinsic worth
- Long term focused, fundamental, valuation aware



Investment Process

- Integrated small cap research to build institutional knowledge
- Identifies unique opportunities, invests early with long-term perspective
- Focusing on sound corporate governance and low financial leverage to minimize company idiosyncratic risks



Portfolio

- High conviction, diversified portfolio
- Dedicated true small cap exposure in terms of market capitalization footprint
- Key investment theme of domestic economic drivers including consumption growth
- Attractive risk-return characteristics and upside/downside capture

Well-resourced and Experienced Team, locally-based

Templeton Emerging Markets Equity Team



Manraj Sekhon, CFA
Chief Investment Officer
Singapore
27 years of experience



13

Countries

70+

Investment Professionals¹

17

years average industry experience

9

years average with FT

Investment Professionals



SEOUL
Jay Choi, CFA
Steve Chae



SHANGHAI
Elizabeth Wu
Tony Sun



HONG KONG
Bill Liu, CFA
Bryan Wong, CFA
Chris Leung
Eric Mok, CFA
Jordan Pong, CFA
Leslie Chow
Michael Chu, CFA
Michael Lai, CFA
Yuheng Fan, CFA



KUALA LUMPUR
Christine Chua
Edward Pang, CFA
Ismar Izhar
VCBF J.V.



SINGAPORE
Chetan Sehgal, CFA
Daniel Lau
Khang Charng Chin
Manish Agarwal
Manraj Sekhon, CFA
Sukumar Rajah
Tek Khoan Ong, CFA
Vikas Chiranewal, CFA
Yi Ping Liao
Yu-Jen Shih, CFA



CHENNAI
Ajaj Argal
Akhil Kalluri
A Anand Radhakrishnan, CFA
Janakiraman Rengaraju, CFA
Kiran Sebastian
Manikantha Garre
Murali Yerram
Nikhil Walecha
Rajasa K.
Sandeep Manam
Saurabh Das, CFA
Swagato Ghosh
Varun Sharma
Venkatesh Sanjeevi

HYDERABAD
Avinash Kumar

MUMBAI
Abhishek Sahoo, CFA
Arya Sen
Keyur Vora, CFA



DUBAI
Ahmed Awny, CFA
Bassel Khatoun
David Haglund
Karim Abbas, CFA
Nikhil Arora, CFA
Salah Shamma



ISTANBUL
Can Ozguzel



EDINBURGH
Andrew Ness

LONDON
Preyesh Patel



WARSAW
Krzysztof Musialik, CFA



BUCHAREST
Andreea Marcu
Calin Metes, CFA
Catalin Diaconu, CFA
Daniel Naftali
Johan Meyer
Marius Dan
Simona Ochian



RIO DE JANEIRO
Gustavo Stenzel, CFA
Marcos Mundim, CFA

SAO PAULO
Eduardo Bopp
Fillipe de Bourbon
Frederico Sampaio, CFA
Guilherme Sansiviero, CFA
Vitor Perito, CFA



BUENOS AIRES
Santiago Petri



CAPE TOWN
Danesh Ranchhod, CFA

Institutional Portfolio Managers

Alistair MacDonald, CFA: Singapore
Claus Born, CFA: Frankfurt, Germany

Jen Merner, CFA: San Mateo, USA

As of March 31, 2022.

1. Investment professionals include research analysts, portfolio managers, directors and CIO.

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Consistent Performance Over its History

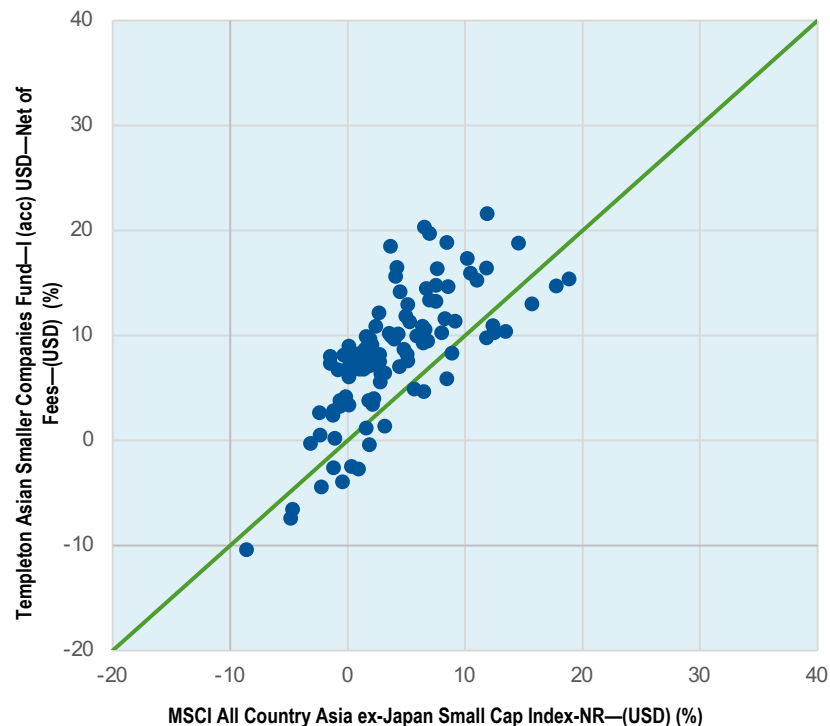
Templeton Asian Smaller Companies Fund



Monthly Rolling 3-Year Annualised Returns

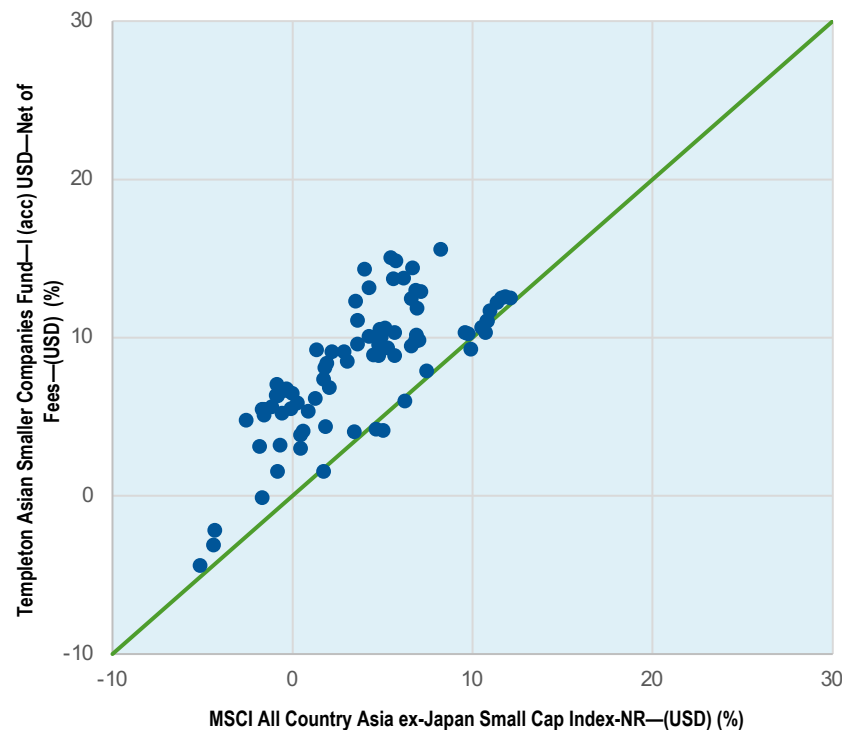
31 December 2012—31 December 2021

Past performance does not predict future returns.



Monthly Rolling 5-Year Annualised Returns

31 December 2014—31 December 2021



Source: Factset. Important data provider notices and terms available at www.franklintempletondatasources.com.

Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.

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. Annualised rolling periods are plotted on a monthly or quarterly basis as indicated. The leading diagonal line links points of return for the index (lower axis). For every point of return along this line there is a corresponding return for the fund represented by the blue circle (left axis). Any point above the line represents fund outperformance relative to the index for that period. Any point below the line represents fund underperformance relative to the index for that period. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges. **If the fund's sales charge had been included, returns would have been lower.** Net Returns (NR) include income net of tax withholding when dividends are paid.

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Emerging Asia Small Caps – Key Highlights



- Emerging Asia Small Caps: Ample opportunities in a liquid, but under-researched investment universe
- Powered by Innovation: Innovation and technology have become a powerful driver of returns across the region
- FT EME: Strong local research capabilities enable access to lesser-known companies in Emerging Asia, driving alpha generation



APPENDIX

Top Ten Holdings



Templeton Asian Smaller Companies Fund

As of 03/31/2022

Name of Issuer	Country	Industry	% of Total
BAJAJ HOLDINGS & INVESTMENT LTD	India	Diversified Financials	4.99
SYNNEX TECHNOLOGY INTERNATIONAL CORP	Taiwan	Technology Hardware & Equipment	3.93
NOVATEK MICROELECTRONICS CORP	Taiwan	Semiconductors & Semiconductor Equipment	3.73
INTERNATIONAL CONTAINER TERMINAL SERVICES INC	Philippines	Transportation	3.72
FEDERAL BANK LTD	India	Banks	3.24
MERIDA INDUSTRY CO LTD	Taiwan	Consumer Durables & Apparel	3.20
FPT CORP	Vietnam	Software & Services	2.76
MOBILE WORLD INVESTMENT CORP	Vietnam	Retailing	2.56
DAQO NEW ENERGY CORP	China	Semiconductors & Semiconductor Equipment	2.44
KINSUS INTERCONNECT TECHNOLOGY CORP	Taiwan	Semiconductors & Semiconductor Equipment	2.34
Total			32.90

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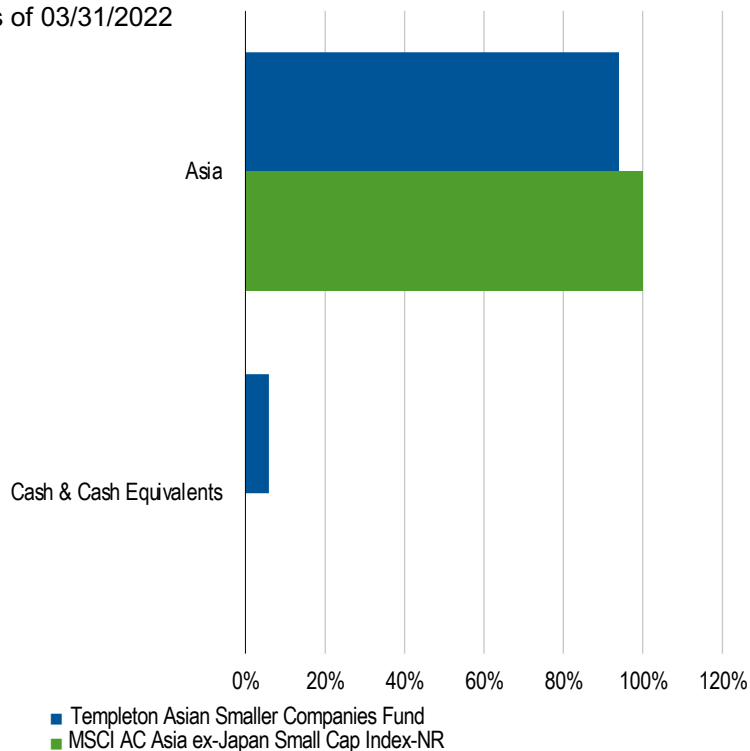
Geographic Allocation



Templeton Asian Smaller Companies Fund vs. MSCI AC Asia ex-Japan Small Cap Index-NR

Past performance does not predict future returns.

As of 03/31/2022



	Portfolio %	Index %	Over/Under %
Asia	94.02	100.00	-5.98
Taiwan	22.01	25.09	-3.08
India	19.04	24.64	-5.60
South Korea	17.93	17.80	0.13
China	14.46	9.29	5.17
Vietnam	8.46	0.00	8.46
Philippines	5.36	1.09	4.27
Thailand	3.11	4.35	-1.24
Hong Kong	1.56	5.60	-4.04
Cambodia	1.04	0.00	1.04
Indonesia	0.88	2.26	-1.38
Sri Lanka	0.16	0.00	0.16
Singapore	0.00	6.71	-6.71
Malaysia	0.00	3.16	-3.16
Cash & Cash Equivalents	5.98	0.00	5.98

Weightings as % of Total. The country percentages may not total to 100% and may not sum to the weight of the region they are under because only the largest countries are shown. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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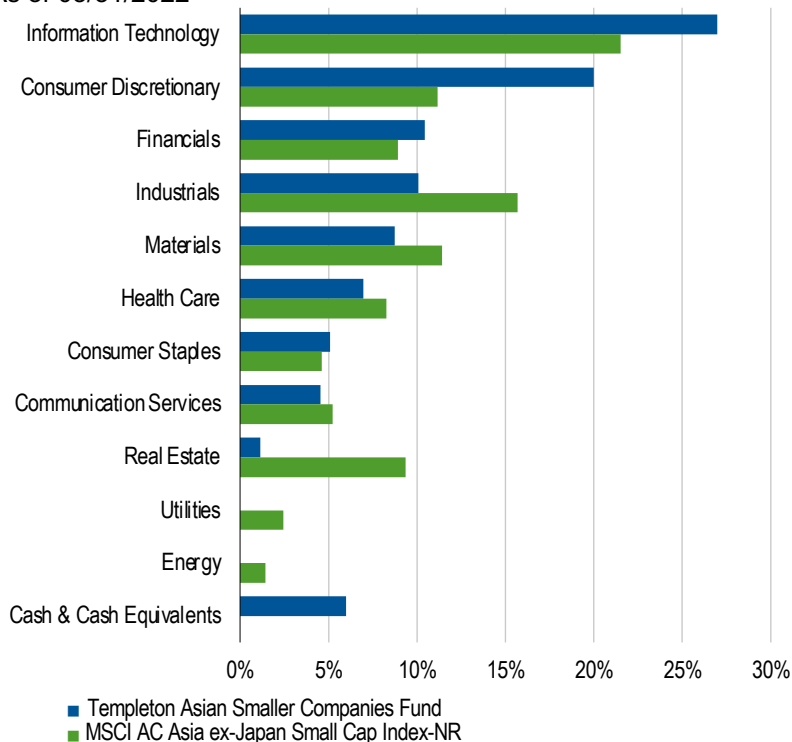
Sector Allocation



Templeton Asian Smaller Companies Fund vs. MSCI AC Asia ex-Japan Small Cap Index-NR

Past performance does not predict future returns.

As of 03/31/2022



	Portfolio %	Index %	Over/Under %
Information Technology	26.97	21.49	5.48
Semiconductors & Semiconductor Equipment	13.76	9.65	4.10
Technology Hardware & Equipment	8.63	8.46	0.17
Software & Services	4.58	3.38	1.20
Consumer Discretionary	20.01	11.17	8.84
Consumer Durables & Apparel	8.92	4.64	4.28
Retailing	6.51	1.67	4.84
Financials	10.45	8.92	1.53
Diversified Financials	5.82	4.51	1.31
Banks	4.62	3.47	1.15
Industrials	10.09	15.67	-5.58
Transportation	5.28	3.33	1.95
Capital Goods	4.81	11.08	-6.27
Materials	8.74	11.40	-2.66
Health Care	6.97	8.28	-1.31
Pharmaceuticals, Biotechnology & Life Sciences	4.38	5.93	-1.55
Consumer Staples	5.10	4.61	0.49
Food, Beverage & Tobacco	4.21	3.31	0.90
Communication Services	4.54	5.22	-0.68
Media & Entertainment	4.54	3.53	1.01
Real Estate	1.16	9.37	-8.22
Utilities	0.00	2.44	-2.44
Energy	0.00	1.42	-1.42
Cash & Cash Equivalents	5.98	0.00	5.98

Weightings as % of Total. The industry group percentages may not total to 100% and may not sum to the weight of the sector they are under because only the largest industry groups are shown. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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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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