

## Performance Review

- Emerging market (EM) equities rose over a volatile quarter, finishing behind developed market stocks. Investors swung between optimism and caution as they weighed COVID-19 vaccine rollouts, economic reopenings, and higher commodity prices against fresh COVID-19 outbreaks and rising inflation. Concerns that the US Federal Reserve could tighten monetary policy sooner than expected capped risk appetite.
- For the quarter, the fund's Series F shares returned 0.75%, and its benchmark, the MSCI Emerging Markets Index-NR, returned 3.50%.

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	GUANGZHOU TINCI MATERIALS TECHNOLOGY CO LTD Class A	Financials (Stock Selection)	Russia (Overweight)
	Itau Unibanco Holding S.A. Sponsored ADR Pfd	Materials (Stock Selection)	Brazil (Overweight)
	FILA Holdings Corp.	Real Estate (Underweight)	Chile (Lack of Exposure)
HURT	Brilliance China Automotive Holdings Limited	Consumer Discretionary (Stock Selection)	China (Stock Selection)
	Naspers Limited Class N	Information Technology (Stock Selection)	Taiwan (Stock Selection)
	Samsung Electronics Co., Ltd.	Health Care (Stock Selection)	South Africa (Stock Selection)

- Car maker Brilliance China Automotive's stock has been suspended from trading due to a delay in the company's 2020 corporate results, along with the provision of unauthorised bank guarantees and cash balance issues. We have applied a fair valuation discount on the holding, and we continue to monitor the situation closely.
- Shares of South Africa-based internet group Naspers fell. Through its subsidiary Prosus, Naspers has a sizeable interest in Chinese internet firm Tencent, which faced heightened regulatory scrutiny. Naspers has been trading at a discount to the overall value of its assets, and it recently unveiled a share swap plan with Prosus in a bid to narrow the valuation gap.
- Finishing higher were shares of China-based Guangzhou Tinci Materials Technology, a world-leading battery electrolyte producer. It inked a supply agreement with a major electric vehicle (EV) battery maker in China. An improving outlook for EV adoption also buoyed Guangzhou Tinci's stock. We believe the company has strong competitive advantages that should position it to benefit from growing EV demand.

## Outlook & Strategy

- The global impact of COVID-19 has largely continued to abate amidst accelerating vaccination drives, although some countries remain hampered by additional waves of infection and new virus variants. In general, we still expect a global economic recovery, with EMs (especially China) taking the lead.
- We have seen strong corporate earnings momentum in EMs as a whole, thanks to higher sales volumes and prices in several industries. A pickup in EV penetration has helped EV-related companies, and solid semiconductor demand has benefitted chip makers. China's major internet companies have continued to report robust results for their core businesses, although ongoing regulatory scrutiny and intensifying competition warrant close attention.
- Our investment focus has remained on companies that demonstrate sustainable earnings power, trading at discounts to our assessment of their intrinsic worth. We believe that consumption is likely to remain a core theme for emerging economies, and as consumer aspirations climb, companies with premium brands and superior products could see healthy growth in the years to come.
- We also expect a widening adoption of technology in EMs to boost their productivity and economic growth, whilst creating business opportunities for innovative companies. Technological progress has contributed to the rise of world-leading EM companies in the EV component and solar energy industries, and we see further room for them to grow as decarbonisation emerges as a major secular trend.

## Fund Details

Inception Date	09/20/1991
Benchmark Name	MSCI Emerging Markets Index-NR

## Fund Description

This Fund seeks long-term capital appreciation by investing primarily in equities of companies in emerging markets. The Fund may also invest in companies that trade in emerging markets, or that trade elsewhere in the world and earn at least 50% of their revenue from production or sales in emerging markets.

**Performance Data**

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Inception Date
Series A	1.92	0.48	4.70	28.51	10.61	13.43	5.73	6.62	09/20/1991
Series F	2.00	0.75	5.28	29.93	11.86	14.68	6.89	7.90	11/24/2000
MSCI Emerging Markets Index-NR <sup>a</sup>	2.68	3.50	4.44	28.11	9.05	11.96	6.92	8.38	-

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

**Investment Team**

**Chetan Sehgal, CFA**

Years with Firm 26  
Years Experience 29

**Andrew Ness**

Years with Firm 2  
Years Experience 26

**Important Legal Information**

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Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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