



# Templeton Latin America Fund

Franklin Templeton Investment Funds

A (Ydis) USD  
31 March 2024

## Product Commentary

### Performance Review

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

- Latin American (LatAM) emerging market (EM) equities declined in the first quarter of 2024. While equity markets elsewhere were upbeat after the US Federal Reserve kept its policy rate steady and indicated that expectations for three rate cuts in 2024 remain, LatAM EM equities had individual drivers of performance for their markets. Larger-capitalisation stocks in Brazil's equity market were a drag—its state-run oil and gas producer's stock fell after dividends disappointed investors. An iron ore producer in Brazil saw its share price decline alongside iron ore prices. The central banks in Brazil and Mexico cut their key interest rates during the quarter.
- For the quarter, the fund's A (Ydis) USD shares returned -3.99%, and its benchmark, the MSCI EM Latin America Index-NR, returned -3.96%.

#### QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	InterCorp Financial Services Inc	Financials (Stock Selection, Overweight)	Peru (Overweight)
	Bolsa Mexicana De Valores Sab De CV	Consumer Staples (Stock Selection)	Mexico (Stock Selection)
	Grupo Mexico Sab de CV	Energy (Stock Selection)	United States (Off-benchmark Exposure)*
HURT	TOTVS SA	Industrials (Stock Selection)	Brazil (Stock Selection)
	Localiza Rent A Car SA	Information Technology (Overweight)	Colombia (Lack of exposure)
	B3 SA - Brasil Bolsa Balcao	Materials (Stock Selection)	Chile (Stock Selection, Underweight)

- TOTVS is a Brazil-based software solutions provider. It provides management software solutions and other productivity platforms to companies across sectors in Brazil. A weaker-than-expected fourth-quarter 2023 adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation)—dragged by lower margins, lower credit production and higher operating expenses for its management segment—and a weaker outlook in terms of lower profitability in the near future weighed on its stock price. We still remain positive on the company due to its proven track record in the management segment—TOTVS leads the management software market in Brazil. In addition, we view the company's enterprise resource planning segment as fairly stable and defensive.
- Similarly, the portfolio's holdings in Rumo detracted despite the stock advancing over the quarter, as its Localiza Rent A Car is a Brazil-based company engaged in the car rental, fleet rental and franchising businesses. An analyst downgrade (due to the analyst's view of the uncertainties about the used car market) sent its stock lower. While the company's share price recovered slightly—aided by in-line fourth-quarter earnings results and a peer's results and strong preview for the first two months of 2024—it was still down overall for the period. However, we appreciate the company's dominant market share and view the industry as resilient. Localiza enjoys economies of scale and pricing power, allowing it to leverage technology to stay ahead of its competitors, thus entrenching its position as a market leader.
- Bolsa Mexicana de Valores is a Mexico-based fully integrated exchange operator across multiple asset classes. Its share price nudged higher over the quarter, with the company's better-than-expected earnings results providing some support to share performance. Its fourth-quarter net income growth was higher than consensus estimates, and the company's cost reduction efforts enhanced a recovery in adjusted EBITDA.

\*Exposure to the United States is through Tenaris, a global manufacturer and supplier of steel pipe products with significant exposure to Latin America.

### Outlook & Strategy

- While Latin American EM equities started the year with a mild performance, major economies Brazil and Mexico remain optimistic about their macroeconomic outlook for the year. In our view, the region offers several growth prospects that experienced, long-term investors can capitalise on.
- While China's economic recovery has been uneven, government efforts to shore up growth have led to some success. Any economic recovery in China will likely benefit Brazil's trade equilibrium—China is one of Brazil's key trading partners. Domestically, lower interest rates have positive connotations for both corporate and economic growth—this stimulates borrowing and spending and reduces asset-quality pressure on banks.
- In Mexico, drivers of domestic demand remain firmly in place. An increase in the minimum wage and government spending from elections are supportive for near-term economic growth. While we remain cognisant of potential volatility from political developments, discretionary consumption and the continuation of companies seeking to outsource operations to Mexico could offset any short-term volatility. In the Andean region, an improving outlook for commodity prices could benefit Chile and Peru.

- Although we could see short-term bouts of market volatility, history has shown that it is crucial to maintain a long-term view. We believe that Latin America continues to offer compelling investment opportunities. The region is highly diverse, with many different drivers underpinning the asset class. Key holdings in the portfolio include financial companies that, in our view, could deliver longer-term growth in an underserved region. The portfolio also has exposure to top-tier commodity- and infrastructure-related companies that we expect to benefit from structural economic development.

## Fund Details

Inception Date	28/02/1991
Benchmark	MSCI EM Latin America Index-NR

## Fund Description

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities of issuers incorporated or having their principal business activities in the Latin American region.

## Performance Data<sup>1,2,3</sup>

Past performance does not predict future returns.

Discrete Annual Performance (%) as at 31/03/2024

	3/23	3/24	3/22	3/23	3/21	3/22	3/20	3/21	3/19	3/20	3/18	3/19	3/17	3/18	3/16	3/17	3/15	3/16	3/14	3/15
A (Ydis) USD	20.93	-15.82	18.67	45.22	-37.12	-8.33	17.74	22.56	-9.88	-24.30										
MSCI EM Latin America Index-NR USD	22.64	-11.05	23.54	50.08	-40.77	-6.72	19.29	23.25	-9.16	-20.94										

Performance Net of Management Fees as at 31/03/2024 (Dividends Reinvested) (%)<sup>a,b</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (28/02/1991)
A (Ydis) USD	0.08	-3.99	-3.99	20.93	6.50	1.98	-0.05	6.20
MSCI EM Latin America Index-NR	1.05	-3.96	-3.96	22.64	10.45	3.68	1.67	10.27

## Investment Team

**Gustavo Stenzel, CFA**

Years with Firm 26

Years Experience 26

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

2. MSCI EM Latin America Index-NR reflects performance of the MSCI EM Latin America (gross returns) from fund inception through 31 December 2000 and MSCI EM Latin America Index-NR thereafter.

3. Net Returns (NR) include income net of tax withholding when dividends are paid.

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## 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 Latin America. Such emerging markets have historically been subject to significant price movements, frequently to a greater extent than equity markets globally. As a result, the performance of the Fund can fluctuate very significantly over relatively short time periods. Other significant risks include: foreign currency risk, emerging markets risk, liquidity risk. 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 document does not constitute legal or tax advice nor is it investment advice or an offer for shares of Franklin Templeton Investment Funds (the "Fund"). Subscriptions to shares of the Fund can only be made on the basis of the current prospectus and, where available, the relevant Key Information Document/Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report accessible on our website [www.ftidocuments.com](http://www.ftidocuments.com) or which can be obtained, free of charge, from Franklin Templeton International Services, S.à r.l. - 8A, rue Albert Borschette, L-1246 Luxembourg or which can be requested via FT's European Facilities Service available at <https://www.eifs.lu/franklintempleton>. The Fund's documents are available in English, Arabic, French, German, Italian, Polish and Spanish or can be requested via FT's European Facilities Service available at <https://www.eifs.lu/franklintempleton>. In addition, a Summary of Investor Rights is available from [www.franklintempleton.lu/summary-of-investor-rights](http://www.franklintempleton.lu/summary-of-investor-rights). 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 information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

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a. Source for all information is Franklin Templeton. Benchmark related data provided by FactSet. Past performance is not an indicator or a guarantee of future performance. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.

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.



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