

## Fund Commentary

### Performance Review

- During the month, investor sentiment remained largely positive. Fixed income spreads continued to tighten overall, with yields in some sectors remaining low.
- For the month, the fund's A (Mdis) USD shares returned 0.98%, and its benchmark, the ICE BofA US High Yield Constrained Index, returned 1.00%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Quality	Duration
HELPED	Energy	Overweight in Restaurants	Ratings-Quality Tilt	Yield-Curve Positioning
	Media Non-Cable	Overweight in Gaming	—	—
	Packaging	Overweight in Energy	—	—
HURT	Finance	Underweight in Entertainment	—	—
	Metals and Mining	Overweight in Utility	—	—
	Automotive	Underweight in Transportation	—	—

- Our yield-curve positioning was a major contributor to relative performance. Our ratings-quality exposure also benefitted results.
- Security selection was also a significant contributor to performance, led by our selection in the energy, media non-cable and packaging sectors. Conversely, our security selection in the finance, metals and mining and automotive industries detracted from results.
- Our industry allocation hindered performance, led by our underweight in the entertainment and transportation sectors and overweight in the utility industry. Conversely, our underweight in the restaurant, gaming and energy sectors contributed to results.

### Outlook & Strategy

- Against a backdrop of elevated new-issue supply in August, the high-yield (HY) market posted a positive return. Much of the supply originated from higher-quality opportunistic refinancing, driven by historically low yields particularly amongst BB rated credits. In a reversal from the previous month, lower-rated CCC bonds outperformed their higher-quality B and BB rated counterparts.
- The technical environment remained generally supportive overall amidst the US Federal Reserve's unprecedented (albeit limited) involvement in the HY market. Demand has been buoyed by investors' continuing reach for yield, which has helped to maintain sizeable year-to-date inflows into the market, in our view.
- Despite the persistent positive technical picture, we maintain a more neutral view on HY credit due to potential uncertainties associated with the November presidential election and possible delays in a COVID-19 vaccine. In general, we remain defensively positioned with an up-in-quality bias given challenged fundamentals.
- We are, however, continuing to find pockets of value in both select new issues and in the secondary market. For example, we have selectively increased our exposure to the exploration and production (E&P) segment of the energy sector as fallen angels have improved overall quality and investability, in our view. With central bank policies driving money into the HY asset class, we continue to believe that rigorous fundamental analysis and astute credit selection will add value going forward.

### Fund Details

Inception Date	01/03/1996
Benchmark	ICE BofA US High Yield Constrained Index

### Fund Description

The Fund aims to earn a high level of current income and seeks capital appreciation when consistent with its principal objective of high current income, by principally investing either directly or through the use of financial derivative instruments in Fixed Income debt Securities of US or non-US issuers of any credit ratings, if issued by US issuers, or, if issued by non-US issuers or unrated, their equivalent.

## Performance Data

Performance Net of Management Fees as at 31/08/2020 (Dividends Reinvested) (%)<sup>1</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	0.98	6.36	1.69	4.46	3.78	4.94	4.82	4.79
Net of Sales Charge - A (Mdis) USD	-4.07	1.04	-3.40	-0.76	2.02	3.87	4.28	4.57
A (Mdis) SGD-H1	1.02	6.29	1.15	3.74	2.99	4.48	4.48	3.78
Net of Sales Charge - A (Mdis) SGD-H1	-4.03	0.97	-3.91	-1.45	1.24	3.41	3.94	3.37
ICE BofA US High Yield Constrained Index USD	1.00	6.80	0.67	3.62	4.48	6.26	6.68	-
ICE BofA US High Yield Constrained Index SGD	1.00	6.80	0.67	3.62	4.48	6.26	6.68	6.99

The Inception Date for the A (Mdis) USD share class and A (Mdis) SGD-H1 share class is 01/03/1996 and 25/10/2007.

## Investment Team

**Glenn Voyles, CFA**  
Years with Firm 27  
Years Experience 27

**Patricia O'Connor, CFA**  
Years with Firm 22  
Years Experience 24

**Bryant Dieffenbacher, CFA**  
Years with Firm 10  
Years Experience 13

**S. James McGiveran III, CFA**  
Years with Firm 13  
Years Experience 13

### 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. The Fund invests mainly in debt securities of any quality issued principally by corporations located in the U.S. Such securities have historically been subject to price movements, generally due to interest rates or movements in the bond market. As a result, the performance of the Fund can fluctuate over time. The Fund may distribute income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital. Other significant risks include: credit risk, derivatives instruments 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

Franklin High Yield Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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**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.**

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1. 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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