FRANKLIN TEMPLETON INVESTMENTS

Franklin Mutual Global Discovery Fund

Franklin Templeton Investment Funds

A (acc) USD
30 November 2018

Fund Commentary

Performance Review

- In November, major global market indices experienced more volatility, which contributed to a mixed set of performances. US equities rose on positive economic data and US Federal Reserve Chair Jerome Powell's dovish remarks regarding interest rates. European stocks fell on weaker economic data, Brexit uncertainty and Italy's budget plan intransigence, while Japanese stocks rose despite a contraction in third-quarter economic growth.
- For the month, the fund's A (acc) USD shares returned 0.05%, and its benchmark, the MSCI World Index, returned 1.19%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	Medtronic plc	Health Care	United States
	Eli Lilly and Company	Information Technology	Italy
	Symantec Corporation	Communication Services	Netherlands
Hurt	British American Tobacco p.l.c.	Energy	United Kingdom
	PG&E Corporation	Consumer Staples	Canada
	Crescent Point Energy Corp.	Industrials	Japan

- In November, Medtronic reported broadly upbeat quarterly results, particularly organic revenue growth and margin expansion. It also raised its guidance for revenues for the fiscal year ending in April 2019. We believe Medtronic can close the valuation discount to its medical technology peers over time with a continued focus on innovation and improving operating performance, along with better communication with financial markets.
- Shares of Symantec rallied on encouraging quarterly results. The quarterly results and related management comments pointed to the company's continued progress on cost cutting as well as improving its operational performance and its competitive position within cybersecurity. Some investors remain uncertain, but we see more upside potential regarding Symantec's efforts to produce sustainable improvements in its financial performance.
- In November, shares of British American Tobacco and industry peers dropped, as the US Food and Drug Administration (FDA) announced plans to ban menthol cigarettes. The process may take years with many steps to complete. In our opinion, the proposal will face litigation from the industry, and industry experts are unsure if it will survive.

Outlook & Strategy

- As investors look ahead to 2019, the trend of positive corporate fundamentals of recent quarters is likely to slow. We believe underlying US economic conditions remain generally favourable, led by a strong labour market and healthy consumer and capital spending. However, the boost to corporate earnings growth from lower corporate tax rates will fade next year, while higher interest rates, a softening US housing market, a failed attempt by the United States and China to deescalate trade tensions and heightened geopolitical risks could result in slower US economic growth.
- European economic activity has hit a soft patch, but economists expect activity will improve. Labour market conditions remain favourable, economic sentiment has been resilient, wage growth has been solid, and the euro has traded in a range that is supportive of exports. We are keeping an eye on a number of political risks, including uncertainty regarding the UK parliamentary approval of the Brexit plan and the possibility of Brexit without an agreement, negotiations between the European Commission and Italy's populist government regarding the country's budget, and Chancellor Angela Merkel's increasingly shaky coalition government in Germany.
- We continue to believe our investments in automakers and automotive suppliers offer attractive risk-reward profiles, despite recent slower sales amidst uncertainty regarding tariffs and US-China trade negotiations. Some automakers are in the middle of new product cycles, global vehicle demand remains solid, the level of technology within vehicles is rapidly increasing (e.g., advanced safety features, telematics and electric motors), and we have identified additional idiosyncratic catalysts. More broadly, we have been seeking to take advantage of market turbulence by looking for companies across all sectors with little or no change in fundamentals at particularly attractive levels.
- We believe the fundamentals for crude oil and energy sector stocks have not changed much, as the Organisation of the Petroleum Exporting Countries and several major non-member producers (termed OPEC+) agreed in early December to cut production to ensure supply/demand balance. Capital spending amongst oil producers, particularly companies held by the fund, remains disciplined, with the rapid growth in free cash generation used to improve balance sheets and return cash to shareholders. Crude oil supplies in some regions remain constrained in part by limited pipeline infrastructure, which highlights the need for continued investment in pipelines and reinforces our view on the favourable outlook for fee-based pipeline companies.
- Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined and driven by rigorous fundamental analysis that attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

Fund Details

Inception Date	25/10/2005
Benchmark	MSCI World Index

Fund Description

The Fund aims to achieve capital appreciation by investing primarily in equity securities of companies of any nation that the investment manager believes are available at market prices less than their intrinsic value. The Fund primarily invests in mid and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars. To a lesser extent, the Fund may also invest in distressed securities and merger arbitrage situations.

Performance Data

Performance Net of Management Fees as at 30/11/2018 (Dividends Reinvested) (%)[1]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2005)
A (acc) USD	0.05	-5.50	-6.21	-5.02	3.65	1.02	6.53	4.91
Net of Sales Charge - A (acc) USD	-4.95	-10.22	-10.90	-9.77	1.89	-0.01	5.98	4.50
MSCI World Index USD	1.19	-5.66	-0.69	0.68	9.11	7.27	11.51	6.98

Investment Team

Peter Langerman
Years with Firm 29
Years Experience 32

Tim Rankin, CFA
Years with Firm 15
Years Experience 26

Christian Correa, CFA
Years with Firm 15
Years Experience 17

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 equity securities of mid- and large-capitalisation companies worldwide. 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: currency risk, derivatives 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.

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