

### Performance Review

- Positive market momentum continued in February amidst supportive factors such as further re-opening of capital markets, muted inflation readings, a dovish tilt in policy outlooks by global central banks and the anticipation of an eventual US trade deal with China. Against this backdrop, spreads across fixed income sectors continued to trend lower.
- For the month, the fund's A (Mdis) USD shares returned 0.38%, and its benchmark, the Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index, returned 0.16%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Corporate credit: particularly allocations to senior secured floating-rate bank loans, high-yield and investment-grade (IG) corporate bonds, and collateralised loan obligations (CLOs)	US duration positioning
	Allocation to non-agency residential mortgage-backed securities (RMBS)	—
	Allocation to Treasury Inflation-Protected Securities (TIPS)	—
HURT	—	—
	—	—
	—	—

- As the credit markets continued to recover during the month, our corporate credit exposure contributed significantly to absolute results over the period. We maintained our largest allocation in IG corporate credit and increased our allocation over the month. Additionally, we added across corporate credit to high-yield corporate bonds, CLOs and senior secured floating rate loans.
- We added exposure to RMBS which contributed to absolute performance. For our RMBS exposure we prefer to remain allocated to the seasoned Credit Risk Transfer and Re-performing Loan sectors, where both fundamental and technical forces remain positive.
- Our foreign-currency exposure is held through a basket of developed-market shorts with major positions in the euro, Australian dollar, Korean won and Canadian dollar versus a basket of emerging-market longs with major positions in the Mexican peso, Indian rupee and Indonesian rupiah. Foreign currency exposure had a largely neutral effect on returns. Our US duration positioning was a positive contributor for performance.

### Outlook & Strategy

- Given the robust conditions across the US economy, the US Federal Reserve's (Fed's) recent decision to put monetary policy tightening on hold is best seen as a temporary pause, in our view. Economic growth is likely to slow from the elevated levels seen in 2018, but we would expect a moderation to a rate of expansion that still compares favourably to the economy's potential.
- We think a US recession continues to appear to be an extremely improbable outcome in the near term, barring any major external shock. Spending by US consumers looks resilient and could remain a key driver of growth, supported by the strength of the US labour market.
- The Fed's switch to a more dovish stance—one that assigns more importance to global demand and financial markets, and downplays the strong domestic backdrop—could risk undermining its credibility, if maintained for too long. Therefore, we believe policymakers may resume interest-rate hikes sometime during the second half of 2019.

### Fund Details

Inception Date	29/08/2003
Benchmark	Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index

### Fund Description

The fund's investment objective is to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

## Performance Data

Performance Net of Management Fees as at 28/02/2019 (Dividends Reinvested) (%)<sup>1</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) USD	0.38	1.48	1.63	1.60	1.75	0.82	1.30	1.59
Net of Sales Charge - A (Mdis) USD	-4.64	-3.59	-3.45	-3.48	0.02	-0.21	0.78	1.26
Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index USD	0.16	1.33	0.55	2.52	1.22	1.06	1.15	2.09

## Investment Team

**Sonal Desai, Ph.D.**  
Years with Firm 9  
Years Experience 25

**Roger Bayston, CFA**  
Years with Firm 27  
Years Experience 33

**Kent Burns, CFA**  
Years with Firm 24  
Years Experience 26

**David Yuen, CFA**  
Years with Firm 23  
Years Experience 31

### 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 in relatively short-term debt securities mainly in the U.S., but may invest up to 25% in non-U.S. issuers. 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 to a small degree over time. Other significant risks include: credit risk, 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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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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