

Fund Commentary

Performance Review

- Global financial markets largely stabilised early in the first quarter of 2019, recovering from the heightened volatility in December. Some of the strongest rallies in January were seen across emerging markets. The 10-year US Treasury note's yield fell during the quarter, and the US dollar broadly strengthened against a number of developed and emerging market currencies.
- For the quarter, the fund's A (Mdis) USD shares returned 1.07%, and its benchmark, the JPM GBI-EM Broad Diversified Asia Index, returned 3.81%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Indonesian Rupiah	Indonesia	—
	Japanese Yen (Net-Negative Position)	India	—
	—	—	—
HURT	—	Negative Duration Exposure to US Treasuries	—
	—	—	—
	—	—	—

- Currency positions in Southeast Asia (the Indonesian rupiah) contributed to absolute fund performance. We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials.
- Select duration exposures in Southeast Asia (Indonesia) and South Asia (India) contributed to absolute fund results as sovereign bond yields largely declined across the world. We held select duration exposures in specific countries that we believe have attractive risk/return profiles, relatively high yields and favourable macro conditions for yields to remain relatively stable or shift lower.
- Negative duration exposure to US Treasuries detracted from absolute fund performance as the yield on the 10-year US Treasury note fell 28 basis points to end the quarter at 2.41%. Overall, we continue to expect longer-term US Treasury yields to rise on economic fundamentals in the US and growing levels of Treasury debt issuance.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	—	India	—
	—	Indonesia	—
	—	—	—
HURT	Indonesian Rupiah	Negative Duration Exposure to US Treasuries	—
	—	—	—
	—	—	—

- Yields broadly declined across much of the world in March, as both the US Federal Reserve and the European Central Bank shifted policy expectations in dovish directions. Negative duration exposure to US Treasuries detracted from absolute fund performance as the yield on the 10-year US Treasury note decreased 31 basis points to end the month at 2.41%.
- The US dollar broadly strengthened against a number of currencies in March. Currency positions in Southeast Asia (the Indonesian rupiah) detracted from absolute fund results.
- Select duration exposures in South Asia (India) and Southeast Asia (Indonesia) contributed to absolute fund performance as yields declined across several local markets in the regions. In Indonesia, growth has remained strong while the country has demonstrated continued resilience to external shocks, benefitting from ongoing reforms over the last decade that have sought to balance its growth drivers and accelerate domestic development.

Outlook & Strategy

- In the US, we expect ongoing labour market strength and continued expansion of the US economy. US growth is likely to moderate from its 2018 pace, but remain at or above potential in 2019, in our view. On the whole, resilient consumer spending in the US should continue to fuel US growth and support global growth, as the economy moves deeper into the late-cycle phase of expansion. Fiscal stimulus should continue to have an additive effect on the US economy before beginning to fade in the second half of 2019.

- Overall, we see a subset of countries with domestically strong economies that have demonstrated their resiliencies to global shocks, including potential trade disruptions. We are focused on specific countries that are less externally vulnerable and more domestically driven, and that have orthodox fiscal and monetary policies. We see additional scope for strengthening valuations in specific countries.
- We continue to maintain low portfolio duration while aiming at a negative correlation with US Treasury returns. We also continue to hold select local-currency duration exposures in countries that we view as having healthy and/or improving fundamentals, along with attractive risk-adjusted yields.

Fund Details

Inception Date	25/10/2005
Benchmark	JPM GBI-EM Broad Diversified Asia Index

Fund Description

The Fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed and floating rate debt securities and debt obligations of government and government-related issuers and/or corporate entities located throughout Asia.

Performance Data

Performance Net of Management Fees as at 31/03/2019 (Dividends Reinvested) (%)¹

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2005)
A (Mdis) USD	-1.60	1.07	1.07	0.99	1.75	-0.25	4.18	4.46
Net of Sales Charge - A (Mdis) USD	-6.52	-3.98	-3.98	-4.06	0.03	-1.27	3.64	4.06
JPM GBI-EM Broad Diversified Asia Index USD	1.27	3.81	3.81	0.65	4.17	3.59	5.07	5.27

Investment Team

Michael Hasenstab, Ph.D.

Years with Firm 20
Years Experience 24

Vivek Ahuja

Years with Firm 12
Years Experience 23

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 issued by any type of entity located in Asia. 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 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 is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Any research and analysis contained in this presentation has been procured by Franklin Templeton Investments for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of any information, opinion or estimate herein. **The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested.**

Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

Past performance or any prediction or forecast is not necessarily indicative of future performance of the Fund. Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or our authorised distributors. Potential investor should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, this Fund is not available to U.S. Persons and Canadian residents.

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.

Copyright© 2019 Franklin Templeton Investments. All rights reserved.

Issued by Templeton Asset Management Ltd. Registration No. (UEN) 199205211E

The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.

Important data provider notices and terms available at www.franklintempletondatasources.com.

Effective 30/09/2017, the performance benchmark changed from Custom Templeton Asian Bond Index to JPM GBI-EM Broad Diversified Asia Index.

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.



www.franklintempleton.com.sg

For use by brokers/dealers or intended institutional investor recipients only and cannot be disseminated further.

© 2019 Franklin Templeton Investments. All rights reserved.