

### Performance Review

- Political uncertainty remained the central theme overshadowing European bond markets during November. Benchmark German Bund yields fell for the second successive month, despite signs that the Italian government was looking to reduce tension with the European Union (EU) and bring its budget deficit more in line with EU rules.
- For the month, the fund's A (Ydis) EUR shares returned 0.28%, and its benchmark, the Bloomberg Barclays Euro Government Bond Index, returned 0.53%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Curve	Selection & Allocation
HELPED	—	Italian government bonds selection
	—	French government bonds underweight
	—	Italian government bonds overweight
HURT	Eurozone underweight	German government bonds selection
	—	Lithuanian government bonds overweight
	—	Polish government bonds overweight

- The fund's duration and yield-curve positioning detracted from relative performance, hurt by an underweight duration stance, as European government bond yields generally ended the month lower overall.
- The fund's sector allocation had a neutral impact on relative returns, with the contribution from an underweight exposure to French government debt—which underperformed due to political unrest in the country—curbed by the negative effect of overweight allocations to Lithuanian and Polish sovereign issues.
- The fund's security selection had little overall influence on relative results, as selection among Italian government bonds added to relative performance but was broadly offset by the negative impact of selection among German Bunds.

### Outlook & Strategy

- With France the latest European country to be hit by political uncertainty, it seems more than likely that politics will continue to drive the agenda in 2019.
- Nevertheless, we remain relatively sanguine about the eurozone, believing the strong underpinnings of domestic demand will help to maintain growth in the face of such headwinds.
- With falling energy prices likely to add to the current weak backdrop for inflation, the prospect of a rise in eurozone interest rates before 2020 appears even more remote.

### Fund Details

Inception Date	08/01/1999
Benchmark	Bloomberg Barclays Euro Government Bond Index

### Fund Description

The Fund's investment objective is to maximise total returns with a combination of interest income and capital appreciation by investing primarily in Euro denominated fixed-income securities issued by government and government-related issuers located throughout the European Monetary Union ("EMU").

### Performance Data

#### Performance Net of Management Fees as at 30/11/2018 (Dividends Reinvested) (%)<sup>1</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/01/1999)
A (Ydis) EUR	0.28	0.37	-1.00	-1.45	-0.90	2.05	3.09	2.66
Net of Sales Charge - A (Ydis) EUR	-4.74	-4.65	-5.95	-6.38	-2.58	1.00	2.56	2.39
Bloomberg Barclays Euro Government Bond Index EUR	0.53	0.33	0.08	-0.69	0.80	3.25	4.00	4.30

**Investment Team**

**John Beck**

Years with Firm 28  
Years Experience 31

**David Zahn, CFA**

Years with Firm 12  
Years Experience 24

### 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 higher-quality debt securities issued or guaranteed by governments or government-related entities of countries within the EMU. Such securities have historically proven to present some stability over time and have benefitted from a limited exposure to interest rates or movements in the bond market in general. As a result, the performance of the Fund can fluctuate moderately 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, liquidity risk, derivatives 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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