

Fund Commentary

Performance Review

- European bond indices were down slightly in August, a month that saw signs of recovery in the eurozone economy. However, headline consumer inflation fell from 0.4% in July to -0.2% in August, the first time in four years that the eurozone has entered a period of deflation. This lower-than-anticipated figure increased pressure on the European Central Bank (ECB) to bolster support for the region's economies. Benchmark German Bund yields rose in August, the first increase since May, although they remained in negative territory.
- For the month, the fund's A (Ydis) EUR shares returned -0.85%, and its benchmark, the Bloomberg Barclays Euro Government Bond Index, returned -0.75%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Duration	Selection & Allocation
HELPED	—	Italian government bonds selection
	—	German Bunds underweight
	—	Hungarian government bonds overweight
HURT	Eurozone overweight	Irish government bonds selection
	—	Belgian government bonds selection
	—	Latvian government bonds selection

- The fund's duration and yield-curve positioning among eurozone bonds detracted from relative performance.
- The fund's selection in Irish, Belgian and Latvian sovereign issues also weighed on relative returns, though this was more than offset by the positive impact of selection among Italian and French government bonds.
- In contrast, the fund's underweight exposure to German Bunds and overweight allocation to Hungarian sovereign issues contributed to relative results.

Outlook & Strategy

- Although the outcome of the forthcoming US presidential election will have ramifications for Europe, we do not believe the dynamics for fixed income markets will change fundamentally.
- There is an abundance of liquidity to keep markets calm and we believe this liquidity could also help dampen some of the volatility normally associated with an election season.
- We still favour non-core European sovereign bonds, which we think should continue to see good support from the ECB.

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 31/08/2020 (Dividends Reinvested) (%)¹

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/01/1999)
A (Ydis) EUR	-0.85	2.02	1.94	-1.05	2.81	1.89	2.87	2.90
Net of Sales Charge - A (Ydis) EUR	-5.80	-3.08	-3.16	-6.00	1.07	0.85	2.34	2.65
Bloomberg Barclays Euro Government Bond Index EUR	-0.75	1.20	2.19	-1.14	3.15	2.87	3.76	4.38

Investment Team

Sonal Desai, Ph.D.
Years with Firm 10
Years Experience 26

John Beck
Years with Firm 30
Years Experience 33

David Zahn, CFA
Years with Firm 14
Years Experience 26

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 instruments 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 Euro Government Bond Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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