

Performance Review

- The fourth quarter saw European corporate bond markets posting positive returns, outperforming their government bond counterparts. Although third-quarter gross domestic product figures released in October were strong, many feared that a double-dip recession awaited the region, and in December the European Central Bank announced an expanded asset purchase programme to help support the region's ailing economies. Benchmark German Bund yields finished the quarter slightly higher but over the year as a whole moved even further into negative territory.
- For the quarter, the fund's A (Ydis) EUR shares returned 2.75%, and its benchmark, the Bloomberg Barclays Euro-Aggregate: Corporates Index, returned 1.98%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Selection & Allocation	Duration	Currencies	Non-Eurozone Market Exposure
HELPED	Corporate investment-grade financial bonds selection	—	—	—
	Corporate investment-grade industrial bonds selection	—	—	—
	Corporate investment-grade financial bonds underweight	—	—	—
HURT	Corporate investment-grade industrial bonds underweight	—	—	—
	Corporate investment-grade utility bonds overweight	—	—	—
	—	—	—	—

- The fund's positioning in corporate investment-grade financial bonds added relative value, as did selection in corporate investment-grade industrial bonds, although this was diluted slightly by the negative impact of an underweight exposure to this area.
- The fund's positioning in corporate high-yield industrial issues also contributed to relative results.
- There were no significant detractors from relative performance.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Selection & Allocation	Duration	Currencies	Non-Eurozone Market Exposure
HELPED	Corporate investment-grade financial bonds selection	—	—	—
	Corporate investment-grade financial bonds underweight	—	—	—
	Corporate high-yield industrial bonds overweight	—	—	—
HURT	—	—	—	—
	—	—	—	—
	—	—	—	—

- The fund's positioning in corporate investment-grade financial bonds added relative value.
- The fund's overweight allocation to corporate high-yield industrial issues also contributed to relative results.
- There were no significant detractors from relative performance.

Outlook & Strategy

- Europe continues to suffer from rising COVID-19 infections, negative interest rates and deflation, while there are worrying signs that the eurozone economy will shrink in the fourth quarter of 2020.
- However, we believe that the building blocks are now in place from the fiscal and the monetary side, and that these measures should help support European bond markets for the next few years.
- We believe several longer-term investment opportunities are now beginning to emerge, although we expect staggered timelines for when certain investments may become suitable, given the wide variance in macro fundamentals and the divergent levels of control over the spread of the virus in specific countries.

Fund Details

Inception Date	30/04/2010
Benchmark	Bloomberg Barclays Euro-Aggregate: Corporates Index

Fund Description

The fund seeks to maximise total investment returns through a combination of interest income and capital appreciation by investing principally in investment grade or floating rate debt securities issued by European companies or those companies with a business presence in the European region. Most investments will be either denominated in euros or hedged back into euros.

Performance Data

Performance Net of Management Fees as at 31/12/2020 (Dividends Reinvested) (%)^a

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (30/04/2010)
A (Ydis) EUR	0.43	2.75	2.84	2.84	2.14	2.68	3.59	3.32
Net of Sales Charge - A (Ydis) EUR	-4.59	-2.39	-2.30	-2.30	0.41	1.63	3.06	2.83
Bloomberg Barclays Euro- Aggregate: Corporates Index EUR	0.17	1.98	2.77	2.77	2.54	2.95	3.93	3.76

Investment Team

David Zahn, CFA
Years with Firm 14
Years Experience 26

Emmanuel Teissier
Years with Firm 12
Years Experience 18

Marc Kremer, CFA
Years with Firm 17
Years Experience 32

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 of corporations located in or doing significant business in European countries. Such securities have historically proven to present some stability over time and have benefitted from a limited exposure to interest rates and movements in the bond market but the performance 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, derivative instruments 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

Franklin European Corporate Bond Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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