

Fund Commentary

Performance Review

- Global aggregate bond indices registered positive returns in US-dollar terms over the fourth quarter. Data released over the quarter was largely positive, particularly better-than-expected third-quarter US gross domestic product figures, although the US Federal Reserve maintained its accommodative monetary stance and stressed the need for additional fiscal support from the US government. US Treasury yields ended the fourth quarter higher overall, but over the course of 2020 they were around 100 basis points lower than 12 months earlier.
- For the quarter, the fund's A (Mdis) USD shares returned 5.20%, and its benchmark, the Bloomberg Barclays Global Aggregate Index, returned 3.28%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Sector Allocation	Security Selection
HELPED	Norwegian krone overweight	Eurozone overweight	US Treasuries underweight	Hard-currency emerging market bonds
	Mexican peso overweight	UK underweight	US corporate investment-grade industrial bonds overweight	US mortgage-backed securities
	Japanese yen overweight	Poland overweight	Hard-currency emerging market bonds overweight	US corporate investment-grade financial bonds
HURT	Canadian dollar underweight	US overweight	—	—
	Chinese yuan (onshore) underweight	—	—	—
	South Korean won underweight	—	—	—

- The fund's security selection and sector allocation boosted relative results, particularly positioning in hard-currency emerging market bonds, an underweight exposure to US Treasuries and selection in US mortgage-backed securities.
- The fund's currency positioning also helped relative returns, notably overweight exposures to the Norwegian krone and Mexican peso, which appreciated against the US dollar, although was diluted by the native impact of underweight allocations to the Canadian dollar and Chinese yuan (onshore), which were also up versus the greenback.
- There were no significant detractors from relative performance.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Sector Allocation	Security Selection
HELPED	Norwegian krone overweight	UK underweight	US Treasuries underweight	Hard-currency emerging market bonds
	Japanese yen overweight	Indonesia overweight	Hard-currency emerging market bonds overweight	US mortgage-backed securities
	Chinese renminbi overweight	Mexico overweight	US corporate investment-grade industrial bonds overweight	US corporate high-yield industrial bonds
HURT	Canadian dollar underweight	US overweight	US corporate high-yield industrial bonds overweight	US corporate investment-grade industrial bonds
	Australian dollar underweight	—	—	US corporate investment-grade financial bonds
	South Korean won underweight	—	—	—

- The fund's security selection and sector allocation contributed to relative results, particularly positioning in hard-currency emerging market bonds, an underweight exposure to US Treasuries and selection in US mortgage-backed securities.
- The fund's currency positioning also helped relative returns, notably overweight exposures to the Norwegian krone and Japanese yen, which appreciated against the US dollar. However, this was diluted by the negative impact of underweight allocations to the Canadian and Australian dollars, which strengthened against their US counterpart.
- In contrast, the fund's local market allocation detracted from relative performance, most of all an underweight position in the outperforming UK market.

Outlook & Strategy

- We expect US monetary policy to remain loose for the foreseeable future, with the Fed anticipating interest rates remaining near to zero until 2023.

- Short-term US Treasury yields are likely to remain anchored by monetary accommodation, but, in our opinion, surging fiscal deficits, massive debt levels and rising inflation expectations should eventually drive yields higher.
- In Europe, 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.

Fund Details

Inception Date	29/10/2010
Benchmark	Bloomberg Barclays Global Aggregate Index

Fund Description

The fund seeks to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income and capital appreciation. The fund seeks to achieve this objective by investing principally in fixed or floating rate debt securities issued by governments, government-related entities and corporations worldwide. The fund invests mainly in investment grade securities, but may invest up to 10% in non-investment grade.

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 (29/10/2010)
A (Mdis) USD	1.83	5.20	8.49	8.49	4.31	2.91	2.26	1.92
Net of Sales Charge - A (Mdis) USD	-3.26	-0.06	3.07	3.07	2.54	1.86	1.74	1.41
Bloomberg Barclays Global Aggregate Index USD	1.34	3.28	9.20	9.20	4.85	4.79	2.83	2.52

Investment Team

David Zahn, CFA
Years with Firm 14
Years Experience 26

John Beck
Years with Firm 30
Years Experience 33

Patrick A. Klein, Ph.D.
Years with Firm 15
Years Experience 15

Sonal Desai, Ph.D.
Years with Firm 11
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 debt securities issued by any government or corporation worldwide. 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 moderately over time. Other significant risks include: Chinese market risk, credit risk, foreign currency 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 Global Aggregate Bond Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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

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