FRANKLIN TEMPLETON INVESTMENTS

Templeton Global High Yield Fund

Franklin Templeton Investment Funds

A (Mdis) USD
28 February 2019

Fund Commentary

Performance Review

- Positive market momentum continued in February amidst supportive factors such as further re-opening of capital markets, muted inflation readings, a dovish tilt in policy outlooks by global central banks and the anticipation of an eventual US trade deal with China. Against this backdrop, spreads across fixed income sectors continued to trend lower. The US dollar broadly strengthened against global currencies in February as global financial markets continued to rebound from the "risk-off" volatility in December.
- For the month, the fund's A (Mdis) USD shares returned 0.57%, and its benchmark, the Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index, returned 1.14%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Credit Sectors	Credit Quality	Duration	Currencies
HELPED	Security Selection	Ratings-Quality Tilt	US Treasuries	Japanese Yen (Net-Negative Position)
	—	—	Indonesia	—
	—	—	—	—
HURT	Industry Allocation	—	—	Ghanaian Cedi
	—	—	—	Argentine Peso
	—	—	—	Brazilian Real

- Security selection contributed to relative performance overall, mainly due to holdings in the energy, utility and packaging industries. Conversely, security selection in the media non-cable, metals and mining and wireless industries detracted from results. Ratings-quality tilt also benefitted performance. Industry weighting relative to the benchmark detracted from performance, led by portfolio positioning in the wireless and finance industries. In contrast, relative industry weighting in the transportation, utility and media cable segments contributed to results.
- The 10-year US Treasury note's yield rose nine basis points to end the month at 2.72%. Negative duration exposure to US Treasuries contributed to absolute fund performance, as did select duration exposures in Asia ex Japan (Indonesia). We held select duration exposures in specific countries that we believe have attractive risk/return profiles, relatively higher yields and favourable macro conditions for yields to remain relatively stable or shift lower.
- Currency positions in Latin America (the Argentine peso and Brazilian real) and Africa (the Ghanaian cedi) detracted from absolute fund results. We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials.

Outlook & Strategy

- We maintain a positive outlook on high yield (HY) market fundamentals but remain committed to our credit selection discipline. Despite a few notable exceptions in recent months, HY default rates remain subdued. We believe supportive factors such as a more dovish stance from the US Federal Reserve (Fed) and the persistence of issuers favouring the HY market for their funding needs over loan markets could continue to provide tailwinds for the asset class.
- While the US economy has generally remained strong against the backdrop of slowing global growth, we continue to believe that we are in the latter stages of the economic cycle and we remain wary of an array of geopolitical risks that could each impact the market at any point in time. Looking ahead, we will continue to balance this complex set of risks and rewards in our portfolio positioning and value creation proposition.
- US growth is likely to moderate from its 2018 pace, but still remain well 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. Fiscal stimulus should also continue to have an additive effect on the US economy before beginning to fade in the second half of 2019.
- The Fed's dovish turn in recent months and the likely pause in rate hikes should have more impact on the front end of the yield curve than the long end, which is driven more by economics and longer-term inflation expectations. We continue to expect longer-term US Treasury yields to rise, driven by fundamental and technical pressures.

Fund Details

Inception Date	27/09/2007
Benchmark	Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index

Fund Description

The fund aims to earn a high level of current income, and seeks capital appreciation when consistent with its principal objective of high current income, by investing principally in fixed and floating-rate debt securities of issuers globally, including those in emerging markets.

Performance Data

Performance Net of Management Fees as at 28/02/2019 (Dividends Reinvested) (%)[1]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (27/09/2007)
A (Mdis) USD	0.57	4.11	5.05	-1.03	6.94	1.21	7.09	3.97
Net of Sales Charge - A (Mdis) USD	-4.46	-1.09	-0.21	-5.98	5.13	0.18	6.54	3.50
Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index USD	1.14	5.33	5.60	3.07	8.09	4.75	10.01	6.95

Investment Team

Michael Hasenstab, Ph.D.
Years with Firm 20
Years Experience 24

Glenn Voyles, CFA
Years with Firm 25
Years Experience 26

Patricia O'Connor, CFA
Years with Firm 21
Years Experience 23

Calvin Ho, Ph.D.
Years with Firm 13
Years Experience 14

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 of any quality issued by any government or corporate entity 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 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.

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

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