FRANKLIN TEMPLETON INVESTMENTS

Templeton Global Equity Income Fund

Franklin Templeton Investment Funds

A (Mdis) USD
31 January 2019

Fund Commentary

Performance Review

- Global stock markets performed strongly in January amidst receding volatility. Generally solid US corporate earnings and economic data, optimism about US-China trade talks, and the US Federal Reserve signalling it would pause interest rate hikes supported equities. However, concerns about slowdowns in the Chinese and European economies restrained sentiment.
- For the month, the fund's A (Mdis) USD shares returned 6.25%, and its benchmark, the MSCI All Country World Index, returned 7.93%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Teva Pharmaceutical	Consumer Staples (Stock Selection, Underweight)	Japan (Stock Selection)
	Takeda Pharmaceutical	Health Care (Stock Selection)	United States (Stock Selection)
	Citigroup	Information Technology (Stock Selection)	—
HURT	Vodafone	Communication Services (Stock Selection)	France (Overweight, Stock Selection)
	Telefonica Deutschland	Energy (Stock Selection)	United Kingdom (Overweight, Stock Selection)
	Amgen	Industrials (Stock Selection)	Germany (Stock Selection)

- Shares of Israeli generic drug-maker Teva Pharmaceutical Industries rallied on solid expectations for new drug launches in 2019 and resilient sales of a key multiple sclerosis drug. We have continued to find attractive bargains in the health care sector, which on average generates higher revenue growth and margins than the global market with lower-than-average correlation and leverage, according to our analysis. Other contributors in the health care sector included Japanese firm Takeda and US-based biotechnology firm Gilead Sciences.
- UK mobile operator Vodafone declined amidst concerns about higher leverage and lacklustre revenue growth. While the company has faced near-term pressure from increasing competition, rising spectrum payments and currency headwinds, we have continued to see favourable risk/reward prospects from recent valuations. Vodafone has been generating strong cashflows and features significant potential long-term growth opportunities in attractive markets and businesses.
- Although health care was an overall contributor at the sector level, relative fund performance was pressured by an investment in US-based biotechnology company Amgen. Its shares declined at the end of the month (and significantly underperformed the health care sector overall) after the company issued 2019 guidance below expectations. Also within the health care sector, shares of French pharmaceuticals firm Sanofi underperformed the index, negatively impacting the fund's relative results.

Outlook & Strategy

- Central bankers, in particular the US Federal Reserve, face a difficult dilemma. On the one hand, they desire "normalisation" to discourage malinvestment, asset bubble formation and high inflation. On the other hand, they need to maintain stability by promoting economic growth and ensuring adequate liquidity.
- This suggests two potential macro outcomes as policymakers try to engineer a soft landing following a decade of extraordinary stimulus. The first is a "quantitative easing forever" environment with permanently enlarged central bank balance sheets complemented by new rounds of fiscal stimulus. This scenario would imply continued indiscriminate asset reflation against a backdrop of low interest rates and low growth. It is theoretically sustainable, at least until investors lose confidence in money printing and deficit spending, or begin to question the validity of asset valuations and organic growth prospects.
- Alternatively, we could see a continuation of efforts to tighten and normalise monetary policy. This latter path would seek to restore the market's normal role of fundamental price discovery, but at the risk of heightened near-term volatility and a possible disorderly market correction.
- Binary though these choices may seem, in reality policymakers may simply rotate between accommodative and restrictive postures as risks and opportunities evolve. To prepare for the possibilities inherent in this unusual environment, we have continued to implement processes designed to better understand the macro sensitivities of both individual securities and our overall portfolio.
- As bottom-up, fundamental, value investors, our core focus remains on investing in companies trading at a sizeable discount to our estimation of their long-term intrinsic value. Yet we also recognise that we are operating in a market driven overwhelmingly by macro considerations. We continue to refine our process in seeking to enhance value and improve client outcomes in any environment.

Fund Details

Inception Date	27/05/2005
Benchmark	MSCI All Country World Index

Fund Description

The fund aims to provide a combination of current income and long-term capital appreciation by investing, under normal market conditions, in a diversified portfolio of equity securities worldwide.

Performance Data

Performance Net of Management Fees as at 31/01/2019 (Dividends Reinvested) (%)[1]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	6.25	-2.77	6.25	-14.21	7.11	1.16	7.24	2.48
Net of Sales Charge - A (Mdis) USD	0.93	-7.63	0.93	-18.50	5.30	0.13	6.69	2.09
A (Mdis) SGD	5.03	-5.54	5.03	-12.11	4.86	2.01	5.82	-1.34
Net of Sales Charge - A (Mdis) SGD	-0.22	-10.27	-0.22	-16.50	3.08	0.97	5.28	-1.79
MSCI All Country World Index USD	7.93	1.88	7.93	-6.98	12.23	7.30	11.88	6.91
MSCI All Country World Index SGD	6.48	-1.07	6.48	-4.46	10.13	8.39	10.59	3.49

The Inception Date for the A (Mdis) USD share class and A (Mdis) SGD share class is 27/05/2005 and 25/10/2007 respectively.

Investment Team

Peter Wilmshurst, CFA
Years with Firm 20
Years Experience 25

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 equity securities of companies around the world. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably 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: currency risk, emerging markets 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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