

## Fund Commentary

### Performance Review

- Global equity markets gained in February, though mixed performance occurred within certain regions. US-China trade talks drove increasing hopes of a positive outcome during the month. The US Federal Reserve's (Fed's) pivot to a more patient approach to interest-rate hikes and a potential Brexit delay also lent support to equity markets. Optimism was tempered somewhat by signs of slowing global economic growth.
- For the month, the fund's A (acc) USD shares returned 1.44%, and its benchmarks, the ICE BofAML US 3-Month Treasury Bill Index and the HFRX Global Hedge Fund Index, returned 0.18% and 0.63%, respectively.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Strategy	Manager	Sectors/Currencies/Index Hedges (Fund Level)
HELPED	Long Short Equity	Chilton (Long Short Equity)	Information Technology (long)
	Relative Value	Wellington (Long Short Equity)	Industrials (long)
	Global Macro	Chatham (Relative Value)	Communication Services (long)
HURT	—	Conditional Risk Overlay	Equity Index Hedges
	—	Graham (Global Macro)	Sovereign Emerging-Market Bonds (long)
	—	—	—

- The fund outperformed the HFRX Global Index for the month. Thirteen of the 14 managers posted positive results in February.
- All five long short equity strategy subadvisors posted absolute gains. Net long exposure to the information technology and industrials sectors contributed to absolute performance, as investors applauded reported progress in the US-China trade talks. Although sector exposures were broadly positive in the month, equity index hedges weighed on results.
- The relative value strategy's primary performance driver was long positioning in high-yield media companies. One media company saw its bonds rally as the issuer bought back bonds in the open market. Another media company which performed well has been using free cash flow to pay down debt. In contrast, a hedge on the S&P 500<sup>®</sup> Index modestly detracted.
- The global macro strategy was a modest contributor for the month, with three of the four subadvisors generating positive results. The strategy benefitted from long US dollar exposure versus a number of currencies, including the Australian dollar and the Swiss franc. These gains were partially offset by short positioning in US equities. On a subadvisor level, H2O was the primary contributor, with gains coming from their European recovery investment theme. Graham was the sole detractor amongst subadvisors, as they were positioned short energy commodities such as crude oil, and long US long-dated bonds.
- The event driven strategy was a slight contributor for the month during a relatively slow month for merger activity. Net long exposure to information technology and communication services positions helped performance, given the sectors' overall strength in February. Conversely, long exposure to a health care company dampened returns, due to a delay with its application to the US Food and Drug Administration for a multiple sclerosis treatment.

### Outlook & Strategy

- We anticipate an increase in equity market volatility over the next few months as investor focus shifts from fourth-quarter 2018 earnings to macro events. We also view the unwinding of the Fed's massive quantitative easing programme as another source of volatility, as we believe the programme created asset price distortions the past few years. We believe these distortions will increasingly be recognised and corrected.
- Given our outlook for the next few months, we trimmed exposure in February to long short equity subadvisors with high beta. Beta is a measure of portfolio volatility compared to a benchmark.
- Looking further ahead, we believe US investor sentiment will improve in the third and fourth quarters of 2019 as forward earnings and economic growth prospects improve.

### Fund Details

Inception Date	15/09/2014
Benchmark	ICE BofAML US 3-Month Treasury Bill Index, HFRX Global Hedge Fund Index, MSCI World Index

### Fund Description

The Fund's investment goal is to seek capital appreciation with lower volatility relative to the broad equity markets. The Fund seeks to achieve its investment goal by allocating its assets across multiple non-traditional or "alternative" strategies.

**Performance Data****Performance Net of Management Fees as at 28/02/2019 (Dividends Reinvested) (%)<sup>1</sup>**

	<b>1 Mth</b>	<b>3 Mths</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>Since Inception (15/09/2014)</b>
A (acc) USD	1.44	1.72	3.88	0.09	4.01	2.68
Net of Sales Charge - A (acc) USD	-3.63	-3.37	-1.32	-4.92	2.24	1.50
ICE BofAML US 3-Month Treasury Bill Index USD	0.18	0.56	0.38	2.04	1.14	0.78
HFRX Global Hedge Fund Index USD	0.63	0.79	2.77	-4.10	2.43	-0.45

**Investment Team**

**Brooks Ritchey**  
Years with Firm 13  
Years Experience 35

**Robert Christian**  
Years with Firm 8  
Years Experience 29

**Anthony M Zanolla, CFA**  
Years with Firm 4  
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 seeks to achieve its targeted investment objective by allocating its assets across multiple "alternative" strategies and by investing in a wide range of assets. Such assets and investment instruments have historically been subject to price movements due to such factors as general stock market volatility, sudden changes in interest rates, or fluctuations in commodity prices. The Fund will seek to limit volatility using hedged strategies. As a result, the performance of the Fund can fluctuate moderately over time. Other significant risks include: credit risk, derivatives risk, liquidity risk, operational risk, targeted return 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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**The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.**

Benchmarks provided for additional performance comparison are for informational purposes only; the fund manager does not intend for the portfolio to track them. The Bank of America Merrill Lynch 3-Month US Treasury Index is provided as an absolute return benchmark. The HFRX Global Hedge Fund Index represents a measure of a broad universe of hedge fund strategies. Unlike most asset class indexes, HFR Index returns reflect fees and expenses.

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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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