

Performance Review

- A number of currencies depreciated against the US dollar, with notable exceptions such as the Argentine peso, Brazilian real and Japanese yen.
- For the month, the fund's A (acc) USD shares returned 0.30%, and its benchmark, the JP Morgan 3-Month Global Cash Index, returned -1.91%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Brazilian Real	—	—
	Euro (Net-Negative Position)	—	—
	Argentine Peso	—	—
HURT	Mexican Peso	—	—
	Colombian Peso	—	—
	Japanese Yen (Net-Negative Position)	—	—

- The euro depreciated against the US dollar in October, while the Japanese yen appreciated. The fund's net-negative positions in the euro and the Australian dollar contributed to absolute performance, while its net-negative position in the Japanese yen detracted. We expect highly accommodative monetary policies from the European Central Bank and the Bank of Japan to weaken the euro and yen as US Treasury yields rise.
- Most emerging-market currencies continued to weaken against the US dollar, with a few notable exceptions. Currency positions in Latin America and Asia ex Japan detracted from absolute fund results (the Mexican peso, Colombian peso and Indian rupee detracted, while the Brazilian real and Argentine peso contributed). We expect the recent periods of volatility in emerging-market currencies to diminish longer term as fundamentals in select countries are repriced in the markets.

Outlook & Strategy

- Overall, our investment convictions remain largely unchanged, despite the escalation in emerging-market risk aversion in recent months. Many of the countries that we believed were undervalued earlier this year have become even more undervalued with the recent "risk-off" cycle. Longer term we continue to have a positive outlook on a number of local-currency markets that we believe are fundamentally stronger than markets have been indicating.
- We continue to have a positive outlook for US growth and the global economy for the upcoming year, but we're continuing to watch for potential economic disruptions. Overall, we expect US Treasury yields to continue rising as the US Federal Reserve unwinds its balance sheet and tightens policy, while inflation pressures build on exceptional strength in the US labour market and resilient expansion of the US economy.
- In the major developed economies, we anticipate continued monetary accommodation and low rates in Japan and the eurozone while rates rise in the US—those increasing rate differentials should depreciate the yen and euro against the US dollar, in our view.
- Outside of the developed markets, we are focused on specific emerging markets that are less externally vulnerable and more domestically driven, and that have responsible, credible central banks that consistently respond with appropriate monetary policies.
- We continue to hold select local-currency duration exposures in countries that we believe have healthy fundamentals and significantly higher yields than those available in developed markets. We also expect currency appreciation across a select subset of emerging markets.

Fund Details

Inception Date	07/10/2016
Benchmark	JP Morgan 3-Month Global Cash Index

Fund Description

The Fund seeks to maximise return by capitalising on global currency opportunities through both long and short positions by primarily investing in securities and instruments offering exposure to currencies of any country, including developed and developing markets.

Performance Data**Performance Net of Management Fees as at 31/10/2018 (Dividends Reinvested) (%)¹**

	1 Mth	3 Mths	YTD	1 Yr	Since Inception (07/10/2016)
A (acc) USD	0.30	-0.98	-0.10	-1.36	0.72
Net of Sales Charge - A (acc) USD	-4.72	-5.93	-5.09	-6.29	-1.75
JP Morgan 3-Month Global Cash Index USD	-1.91	-2.67	-5.33	-3.08	-0.32

Investment Team**Michael Hasenstab, Ph.D.**

Years with Firm 19
Years Experience 23

Sonal Desai, Ph.D.

Years with Firm 8
Years Experience 24

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 principally in securities offering exposures to currencies of any country, in debt securities of any maturity or quality and has the ability to actively use financial derivative instruments. Such investments have historically been subject to price movements due to such factors as general sudden changes in interest rates, changes in the financial outlook or perceived credit worthiness of securities issuers, or fluctuations in currency markets. 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: counterparty risk, credit risk, currency 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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Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of the Fund. In the event an investor chooses not to seek advice from a financial adviser, he/she should consider whether the Fund is suitable for him/her.

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The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.

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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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