

Fund Commentary

Performance Review

- Positive market momentum persisted and corporate credit spreads tightened in April amidst supportive factors such as an improving global growth outlook, better than expected earnings and an accommodative policy stance from the US Federal Reserve (Fed). Elsewhere in Asia, talk of a “hard landing” for China’s economy seems exaggerated with concerns of future trading relationship future trading relationship between the United States and China as a likely temporary impediment, rather than a factor liable to weigh lastingly on growth at this point.
- For the month, the fund’s A (Mdis) USD shares returned 0.38%, and its benchmark, the JP Morgan Asia Credit Index, returned 0.35%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Duration
HELPED	Asian Investment-Grade (IG) Corporate Issues	Underweight in Asian HY Sovereign Debt	US Duration/Yield-Curve Positioning
	Asian IG Quasi-Sovereign Debt	Underweight in Asian IG Quasi-Sovereign Debt	—
	Asian IG Sovereign Debt	Underweight in Asian HY Quasi-Sovereign Debt	—
HURT	Non-Asian High-Yield (HY) Corporate Issues	Underweight in Asian IG Sovereign Debt	—
	—	—	—
	—	—	—

- Security selection contributed to relative fund performance overall, particularly selection within Asian IG corporate issues, IG quasi-sovereign debt and IG sovereign debt. Conversely, security selection in non-Asian HY corporate issues detracted from results.
- Asset allocation detracted from fund results overall, led by our underweight in Asian IG sovereign debt. Conversely, our underweights in Asian HY sovereign debt, IG quasi-sovereign debt and HY quasi-sovereign debt benefitted performance. Our US duration positioning also contributed to results.
- We did not make any major allocation shifts during the month and transactions were limited.

Outlook & Strategy

- Market volatility has subsided significantly since the start of the year, leading to increased bets amongst participants that these benign conditions could continue for some time to come. However, we continue to believe that such lulls will be punctuated with episodic bouts during which volatility spikes sharply, with geopolitical events (like the on-going Brexit development) as one potential source of market disruption. We therefore believe investors should remain focused mainly on fundamentals in the global economy, which despite the more dovish recent tone from leading central banks, still appear relatively positive to us.
- We maintain our generally positive view of fundamentals within the Asian credit market. In our view, Asian countries continue to seek out the appropriate monetary and fiscal policies to navigate the changing global environment, while considering the impact on growth, competitiveness and local-currency valuations.
- As always, selectivity is extremely important, but we believe that many of the borrowers in the region remain well positioned. We believe valuations in Asian markets have been generally tight mostly due to a strong local buyer base—although valuations improved in the second half of 2018, spreads have continued to tighten in April.

Fund Details

Inception Date	17/11/2014
Benchmark	JP Morgan Asia Credit Index

Fund Description

The fund seeks to maximise total investment return through a combination of interest income and capital appreciation by investing primarily in USD-denominated fixed and/or floating rate debt securities domiciled in Asian countries.

Performance Data

Performance Net of Management Fees as at 30/04/2019 (Dividends Reinvested) (%)¹

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	Since Inception
A (Mdis) USD	0.38	3.28	5.63	5.25	3.12	2.76
Net of Sales Charge - A (Mdis) USD	-4.64	-1.89	0.35	-0.01	1.37	1.58
A (Mdis) SGD-H1	0.39	3.20	5.44	4.39	2.55	2.54
Net of Sales Charge - A (Mdis) SGD-H1	-4.63	-1.96	0.17	-0.83	0.81	1.36
JP Morgan Asia Credit Index USD	0.35	3.20	5.25	6.60	3.86	4.19
JP Morgan Asia Credit Index SGD	0.35	3.20	5.25	6.60	3.86	4.19

Investment Team

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 Years Experience 31

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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 fixed or floating rate debt securities of government, government-related, or corporate entities located in Asia, including securities that are rated less than investment grade. Such securities have historically been subject to price movements, generally due to interest rates or movements in the bond market in general. As a result, the performance of the Fund can fluctuate moderately 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, 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 Asia Credit Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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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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