

Fund Manager Report

Product Details¹

Fund Assets	\$263,121,331.84
Fund Inception Date	25/10/2005
Number of Securities Including Cash	85
Bloomberg	TEMASAD LX
ISIN	LU0229950067
Investment Style	Unconstrained
Benchmark	JPM GBI-EM Broad Diversified Asia Index
Morningstar Category™	Asia Bond - Local Currency

Asset Allocation²

Market Value—Percent of Total	%
Fixed Income	94.06
Cash & Cash Equivalents	5.94

Fund Description

The Fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed and floating rate debt securities and debt obligations of government and government-related issuers and/or corporate entities located throughout Asia.

Performance Data

Performance Net of Management Fees as at 30/11/2020 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	-0.06	1.11	-1.33	-0.46	-0.58	0.91	0.73	3.86
Net of Sales Charge - A (Mdis) USD	-5.06	-3.95	-6.27	-5.43	-2.27	-0.12	0.22	3.51
A (Mdis) SGD	-1.77	-0.34	-1.64	-2.33	-0.76	-0.10	0.88	1.65
Net of Sales Charge - A (Mdis) SGD	-6.68	-5.33	-6.56	-7.22	-2.44	-1.12	0.37	1.25
JPM GBI-EM Broad Diversified Asia Index USD	2.79	4.37	7.22	9.24	6.12	6.68	4.34	5.65
JPM GBI-EM Broad Diversified Asia Index SGD	0.84	2.84	6.83	7.02	5.93	5.61	4.48	4.07

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	-0.06	1.11	-1.33	-0.46	-1.74	4.63	7.60	77.22
Net of Sales Charge - A (Mdis) USD	-5.06	-3.95	-6.27	-5.43	-6.65	-0.61	2.22	68.36
A (Mdis) SGD	-1.77	-0.34	-1.64	-2.33	-2.26	-0.51	9.19	23.92
Net of Sales Charge - A (Mdis) SGD	-6.68	-5.33	-6.56	-7.22	-7.14	-5.48	3.73	17.72
JPM GBI-EM Broad Diversified Asia Index USD	2.79	4.37	7.22	9.24	19.51	38.20	52.97	129.42
JPM GBI-EM Broad Diversified Asia Index SGD	0.84	2.84	6.83	7.02	18.86	31.40	55.04	68.75

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

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Indonesian Rupiah	Indonesia	—
	—	—	—
	—	—	—
HURT	Australian Dollar (Net-Negative Position)	—	—
	—	—	—
	—	—	—

- In currency markets, the US dollar (USD) returned to a broad-based weakening pattern in November after finishing the prior month on a strengthening trend. Major developed market and emerging market currencies alike strengthened against the USD. Currency positions in

1. All holdings are subject to change.

Southeast Asia (the Indonesian rupiah) contributed to absolute fund results. However, the fund's net-negative position in the Australian dollar detracted from absolute results. We retained our net-negative positioning in the Australian dollar as a proxy hedge against broad-based beta risk across emerging markets.

- Directional shifts in sovereign bond yields were mixed across emerging markets, where several of the more resilient economies saw price rallies and declining yields, while weaker areas experienced price pressures and rising yields. Sovereign bond yields notably declined in Indonesia. Select duration exposures in Southeast Asia (Indonesia) contributed to absolute fund performance. We have tactically adjusted specific position sizes in various emerging markets in recent quarters, notably selling some positions into strength as local yield curves rallied lower on substantial rate cuts from local central banks, and increasing some positions as medium-term valuations turned favourable.
- From a positioning standpoint, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, preferring to hold short- to intermediate-term US Treasuries, while holding no exposure to the long end of the curve. We continue to emphasise select local-currency bonds outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are counter-balancing those various risk exposures with perceived safe-haven investments, such as the Japanese yen, and we are hedging a substantial amount of local-currency risk through proxy hedges (negative Australian dollar) and direct hedges (South Korean won). Overall, we are aiming the strategies to defend against overvalued asset categories that remain vulnerable to ongoing economic shocks.

Outlook & Strategy

- We remain cautious on the risk profiles in certain areas of the global fixed income markets and anticipate a staggered timeline for when specific investment opportunities may arise. Regional lockdowns and restrictions will likely continue to be needed in upcoming months to counter the exponential spread of COVID-19. Mobility restrictions will continue to be the most effective tool of virus suppression until a vaccine becomes broadly available. Until that point, lost incomes and damaged aggregate demand will continue to have a detrimental impact on macroeconomic conditions.
- We expect perceived safe-haven assets to remain relevant during the upcoming months as the health crisis worsens, but to eventually diminish in importance as medical advances incrementally beat back the disease. Ultimately, we envision being constructive in a number of regions as the world transitions towards a post-COVID era. However, it remains crucial to be highly selective. Several risk assets continue to remain overvalued, reflecting an underappreciation for the economic impacts of the health crisis. We see elevated risks for financial market volatility in the remainder of 2020 and the first quarter of 2021, given the extreme dislocations between asset prices and macroeconomic fundamentals.
- We continue to maintain a tactically opportunistic stance that focuses on higher allocations to perceived safe-haven assets, lower duration exposures in select emerging markets, risk-adjusted position sizing and optimised liquidity. We're aiming to derive alpha from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential and asymmetric interest-rate risks as yields remain near historic lows and debt loads rise to record levels. Currency markets and specific higher-yielding local-currency emerging markets currently offer compelling alpha opportunities, in our assessment.
- The timing and effectiveness of vaccine treatments will be the key determinant for economic activity and financial asset valuations in the upcoming year. COVID-19 cases appear likely to reach a zenith during the winter months before vaccine treatments may cause the pandemic to ebb in the late spring and summer of 2021.
- Environmental, social and governance (ESG) factors will play a major role in rebuilding the post-COVID world. Social cohesion and good governance have the power to accelerate a country's post-crisis recovery, or the lack thereof can stymie it. Tragically we have seen the consequences of weak ESG factors in specific emerging markets during the pandemic. Countries that were less prepared for a health crisis due to weaker health care systems and less developed infrastructure, and/or less prepared for an economic crisis due to fiscal imbalances, high levels of debt and external dependencies, have suffered greater damage. By contrast, countries that were in stronger fundamental shape before the crisis, with stronger institutions, lower levels of debt and more diversified economies, have generally fared better.
- Widening income inequality in many countries also remains a critical issue that threatens to undermine economic stability and intensify social discord. Damaged economies and elevated unemployment from the pandemic have only worsened several pre-existing structural problems. Countries that effectively address these challenges in the years ahead can strengthen the underpinnings of their economies, while those that neglect these factors risk further instability. We expect ESG to be a defining attribute for global fixed income markets in years ahead. Countries that are projected to improve on ESG factors often present the strongest investment opportunities.

Portfolio Characteristics^{4,5,6}

	Portfolio	JPM GBI-EM Broad Diversified Asia Index
Yield to Maturity	1.54%	3.94%
Yield to Worst	1.54%	3.94%
Average Credit Quality ⁷	A+	BBB+
Average Duration	2.38 Yrs	6.03 Yrs
Average Weighted Maturity	2.72 Yrs	8.36 Yrs

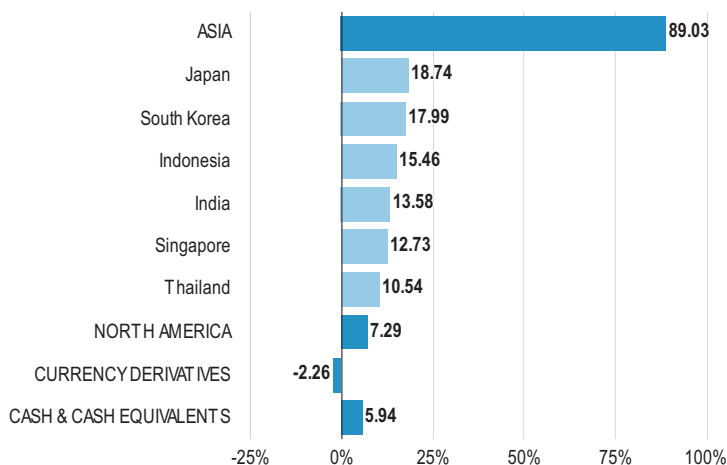
7. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate the average credit rating of the portfolio's underlying investments and generally ranges from AAA (highest) to D (lowest). For unrated bonds, cash and equivalents, ratings may be assigned based on the ratings of the issuer, the ratings of the underlying holdings of a pooled investment vehicle, or other relevant factors. The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of investments by market value and rounding to the nearest rating. The risk of default increases as a bond's rating decreases, so the ACQ provided is not a statistical measurement of the portfolio's default risk because a simple, weighted average does not measure the increasing level of risk from lower-rated bonds. The ACQ may be lower if cash and equivalents are excluded from the calculation. The ACQ is provided for informational purposes only. Derivative positions are not reflected in the ACQ.

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Portfolio Diversification⁵

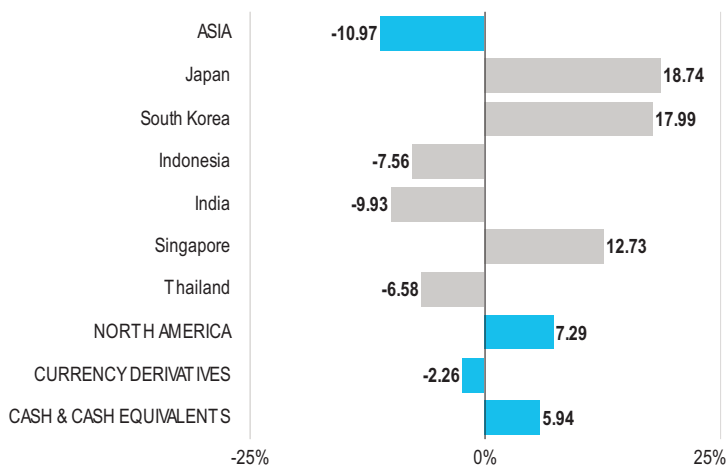
Geographic Allocation²

Market Value—Percent of Total



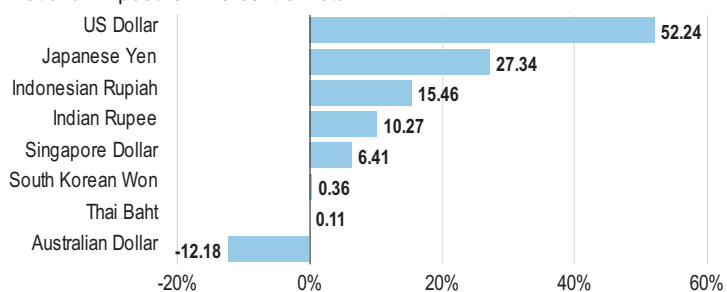
Geographic Allocation vs. JPM GBI-EM Broad Diversified Asia Index²

Market Value—Percent of Total



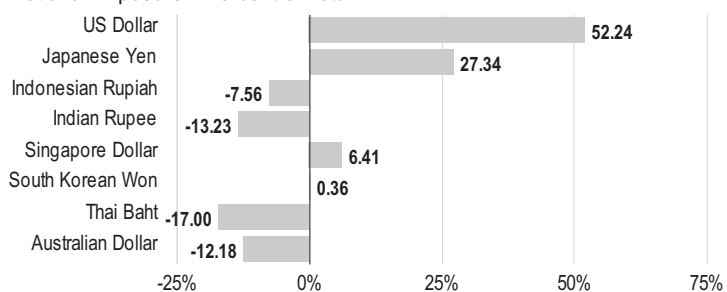
Currency Exposure⁸

Notional Exposure—Percent of Total



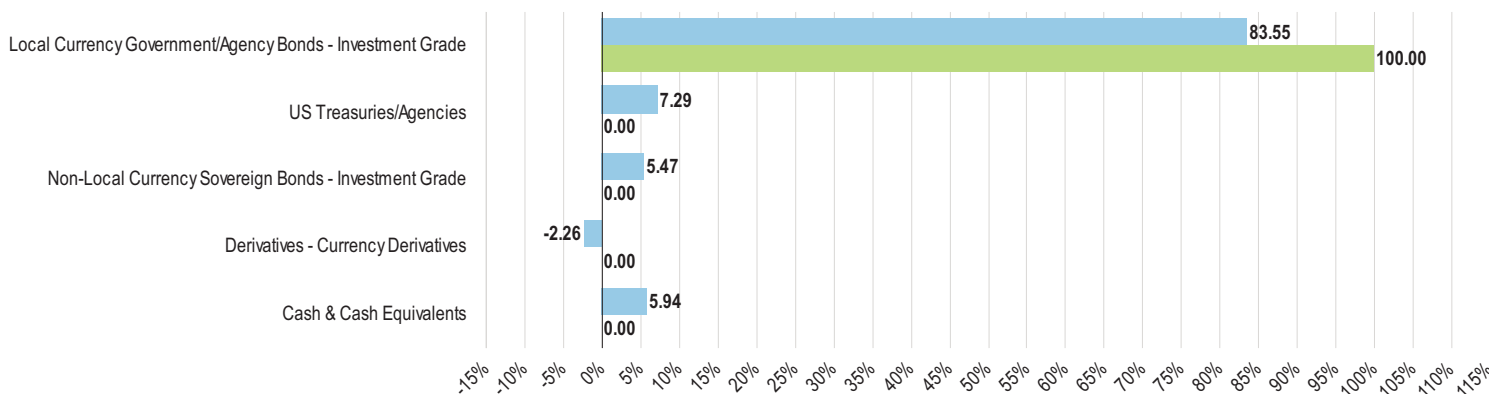
Currency Exposure vs. JPM GBI-EM Broad Diversified Asia Index⁸

Notional Exposure—Percent of Total



Sector Allocation vs. JPM GBI-EM Broad Diversified Asia Index²

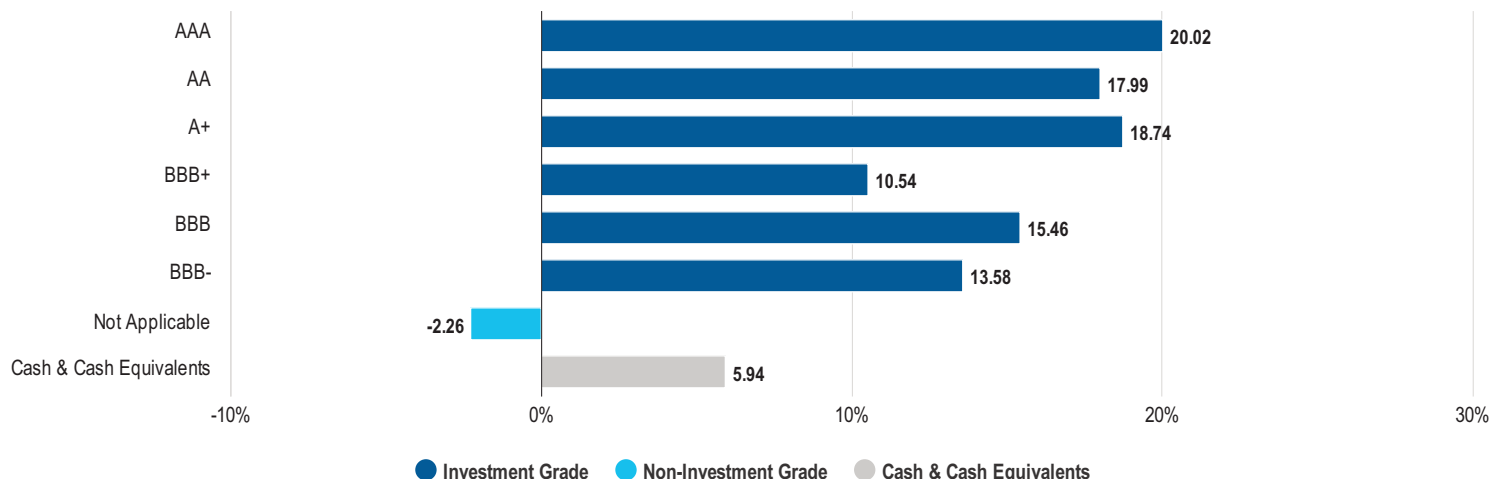
Market Value—Percent of Total



- Templeton Asian Bond Fund
- JPM GBI-EM Broad Diversified Asia Index

Credit Quality Allocation²

Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics⁹

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Asian Bond Fund	4.61	4.70	6.56	9.72
JPM GBI-EM Broad Diversified Asia Index	7.25	6.77	6.63	6.91
Tracking Error (%)	5.96	5.91	4.87	6.11
Information Ratio¹⁰	-1.12	-0.98	-0.74	-0.29
Sharpe Ratio				
Templeton Asian Bond Fund	-0.45	-0.04	0.02	0.28
JPM GBI-EM Broad Diversified Asia Index	0.64	0.82	0.57	0.65

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	21	25
Vivek Ahuja	14	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 mainly in debt securities issued by any type of entity located in Asia. 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: Chinese market risk, credit risk, derivatives instruments 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.

9. Information Ratio and Tracking Error information are displayed for the product versus the JPM GBI-EM Broad Diversified Asia Index.

10. Information Ratio is a way to evaluate a manager’s ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio’s excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

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Important Legal Information

Templeton Asian Bond Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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

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Performance figures are not based on audited financial statements and assume reinvestment of interest and dividends. When comparing the performance of Franklin Templeton Investment Funds (the "Fund") with a benchmark index, it is important to note that the securities in which the Fund invests may be substantially different than those represented by the benchmark index. Furthermore, an investment in Franklin Templeton Investment Funds represents an investment in a managed investment company in which certain charges and expenses, including management fees, are applicable. These charges and expenses are not applicable to indices. Lastly, please note that indices are unmanaged and are not available for direct investment. Certain data and other information shown have been supplied by outside sources. While we consider that information to be reliable, we give no assurance that such data and information is accurate or complete.

The indices include a greater number of securities than those held in the Fund.

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2. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

3. 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.

4. Yield to Maturity, Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in portfolio (or their underlying reference assets).

5. All holdings are subject to change.

6. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. **Past performance is not an indicator or a guarantee of future performance.**

8. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

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