



FRANKLIN TEMPLETON INVESTMENTS

Templeton Global Total Return Fund— A (Mdis) USD

Franklin Templeton Investment Funds

Fund Manager Report

Unconstrained
Fixed Income
28 February 2019

Product Details¹

Fund Assets	\$16,817,708,020.96
Fund Inception Date	29/08/2003
Number of Securities Including Cash	190
Bloomberg	TGTRFAD LX
ISIN	LU0170475585
Base Currency	USD
Investment Style	Unconstrained
Benchmark	Bloomberg Barclays Multiverse Index
Morningstar Category™	Global Bond

Asset Allocation²

Market Value—Percent of Total	%
Fixed Income	84.97
Cash & Cash Equivalents	15.00
Equity	0.03

Overall Morningstar Rating™³



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/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may invest in investment grade and non-investment grade debt securities. The Fund may also use various currency-related and other transactions involving derivative instruments.

Performance Data

Performance Net of Management Fees as at 28/02/2019 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	0.99	2.89	3.60	2.76	6.05	1.51	7.93	7.62
Net of Sales Charge - A (Mdis) USD	-4.06	-2.25	-1.58	-2.38	4.24	0.47	7.38	7.27
A (Mdis) SGD	1.46	1.39	2.86	4.89	4.67	2.83	6.48	5.29
Net of Sales Charge - A (Mdis) SGD	-3.62	-3.68	-2.29	-0.35	2.89	1.78	5.93	4.82
Bloomberg Barclays Multiverse Index USD	-0.49	3.10	1.18	-0.48	2.41	0.95	3.45	4.01
Bloomberg Barclays Multiverse Index SGD	-0.01	1.54	0.31	1.65	1.05	2.26	2.06	2.34

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	0.99	2.89	3.60	2.76	19.24	7.78	114.48	212.22
Net of Sales Charge - A (Mdis) USD	-4.06	-2.25	-1.58	-2.38	13.28	2.39	103.76	196.61
A (Mdis) SGD	1.46	1.39	2.86	4.89	14.65	14.96	87.32	79.56
Net of Sales Charge - A (Mdis) SGD	-3.62	-3.68	-2.29	-0.35	8.92	9.21	77.95	70.59
Bloomberg Barclays Multiverse Index USD	-0.49	3.10	1.18	-0.48	7.41	4.82	40.34	83.83
Bloomberg Barclays Multiverse Index SGD	-0.01	1.54	0.31	1.65	3.19	11.81	22.65	29.96

The Inception Date for the A (Mdis) USD share class and A (Mdis) SGD share class is 29/08/2003 and 25/10/2007 respectively.

1. All holdings are subject to change.

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Japanese Yen (Net-Negative Position)	Negative Duration Exposure to US Treasuries	—
	Euro (Net-Negative Position)	Indonesia	—
	Australian Dollar (Net-Negative Position)	—	—
HURT	Brazilian Real	—	—
	Ghanaian Cedi	—	—
	Argentine Peso	—	—

- The 10-year US Treasury note's yield rose nine basis points to end the month at 2.72%. Negative duration exposure to US Treasuries contributed to absolute fund performance, as did select duration exposures in Asia ex Japan (Indonesia). We held select duration exposures in specific countries that we believe have attractive risk/return profiles, relatively higher yields and favourable macro conditions for yields to remain relatively stable or shift lower.
- In February, the US dollar broadly strengthened against global currencies, with some exceptions. The fund's net-negative positions in the Japanese yen, the euro and the Australian dollar contributed to absolute results. We expect the widening rate differentials between rising rates in the US and low to negative yields in the eurozone and Japan to weaken the euro and yen against the US dollar.
- Currency positions in Latin America (the Brazilian real and Argentine peso) and Africa (the Ghanaian cedi) detracted from absolute fund performance. We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials.

Outlook & Strategy

- US growth is likely to moderate from its 2018 pace, but still remain well above potential in 2019, in our view. On the whole, resilient consumer spending in the US should continue to fuel US growth and support global growth. Fiscal stimulus should also continue to have an additive effect on the US economy before beginning to fade in the second half of 2019.
- The US Federal Reserve's dovish turn in recent months and the likely pause in rate hikes should have more impact on the front end of the yield curve than the long end, which is driven more by economics and longer-term inflation expectations. We continue to expect longer-term US Treasury yields to rise, driven by fundamental and technical pressures.
- In the major developed markets, we anticipate continued monetary accommodation and low rates in the eurozone and Japan while rates rise in the US. Eurozone growth has moderated from its peak 2017 levels while inflation remains subdued, enabling the European Central Bank to remain accommodative for longer.
- Outside of the developed markets, we are focused on specific countries that are less externally vulnerable and more domestically driven, and that have orthodox fiscal and monetary policies. Select countries with stronger fundamentals and higher interest rates should be better positioned to absorb rising rates in the US.

Portfolio Characteristics^{5,6}

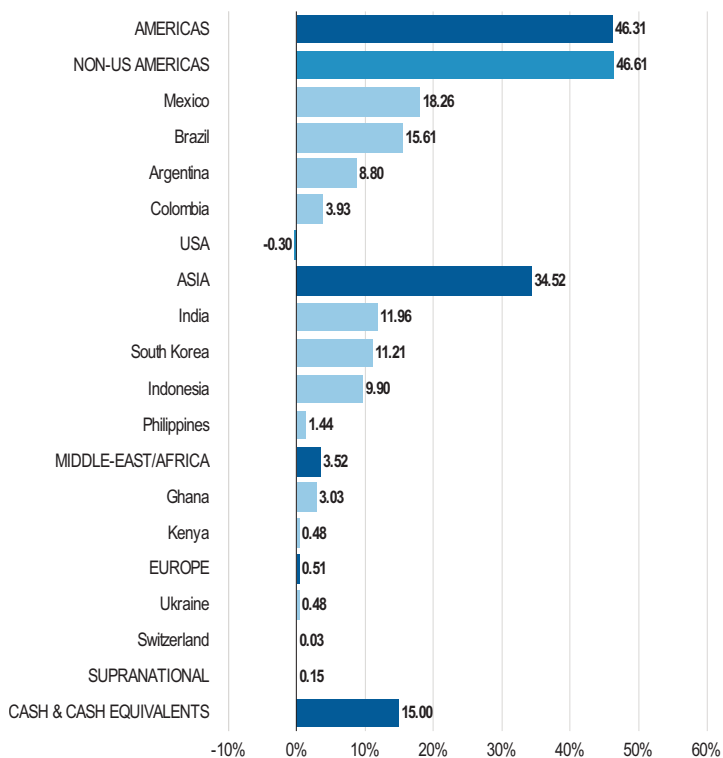
	Portfolio	Bloomberg Barclays Multiverse Index
Yield to Maturity	10.00%	2.20%
Yield to Worst	10.00%	2.19%
Average Duration	-1.43 Yrs	6.84 Yrs
Average Credit Quality ⁷	BBB+	AA-
Average Weighted Maturity	2.61 Yrs	8.64 Yrs

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.

Portfolio Diversification⁶

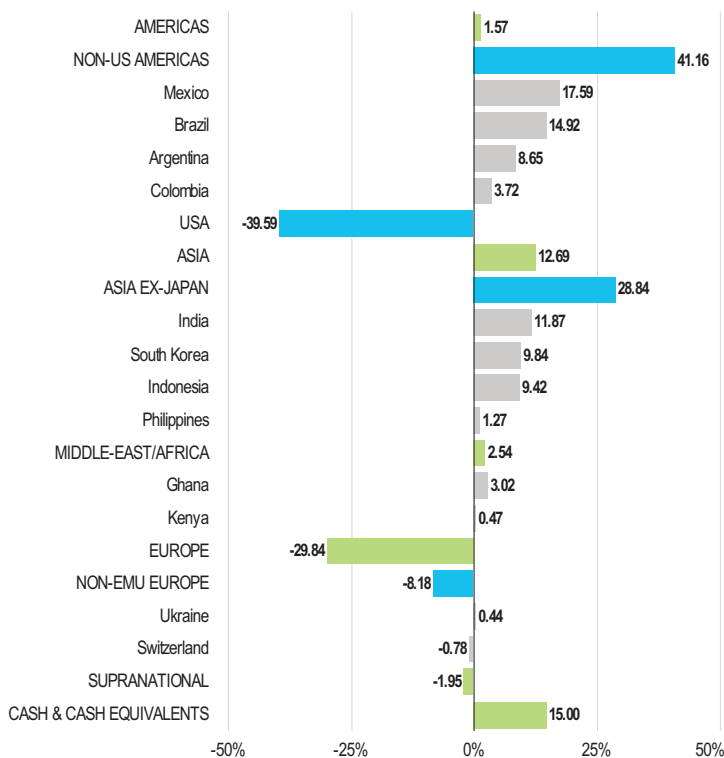
Geographic Allocation²

Market Value—Percent of Total



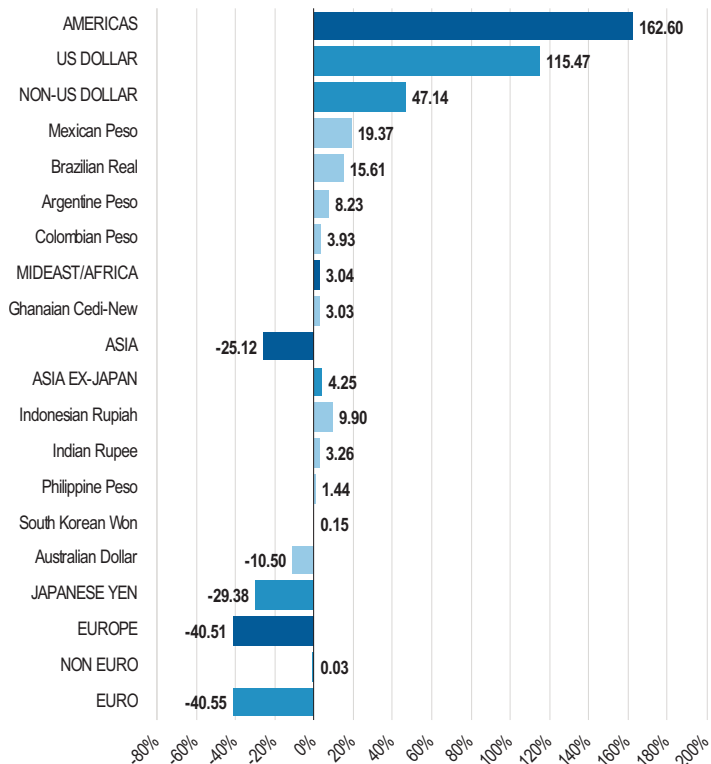
Geographic Allocation vs. Bloomberg Barclays Multiverse Index²

Market Value—Percent of Total



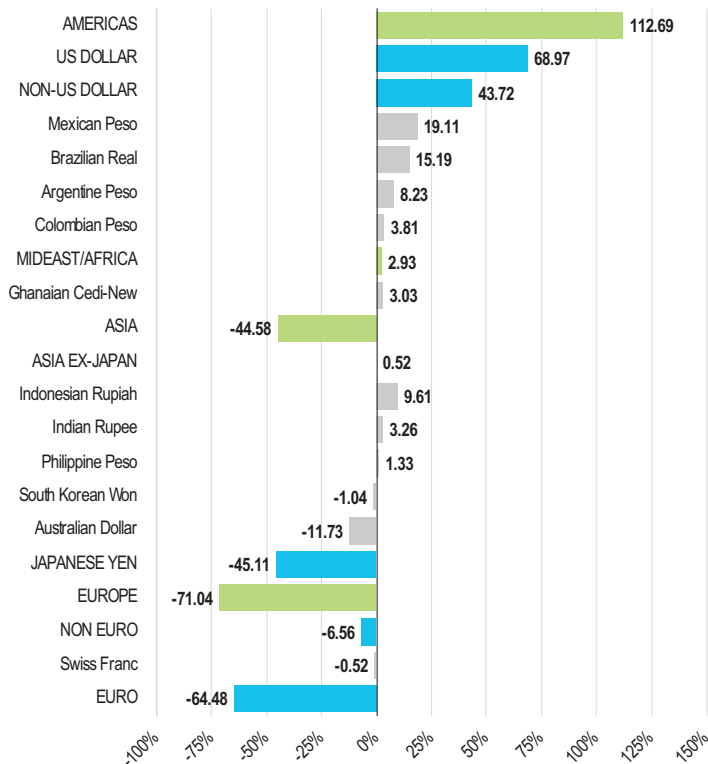
Currency Exposure⁸

Notional Exposure—Percent of Total



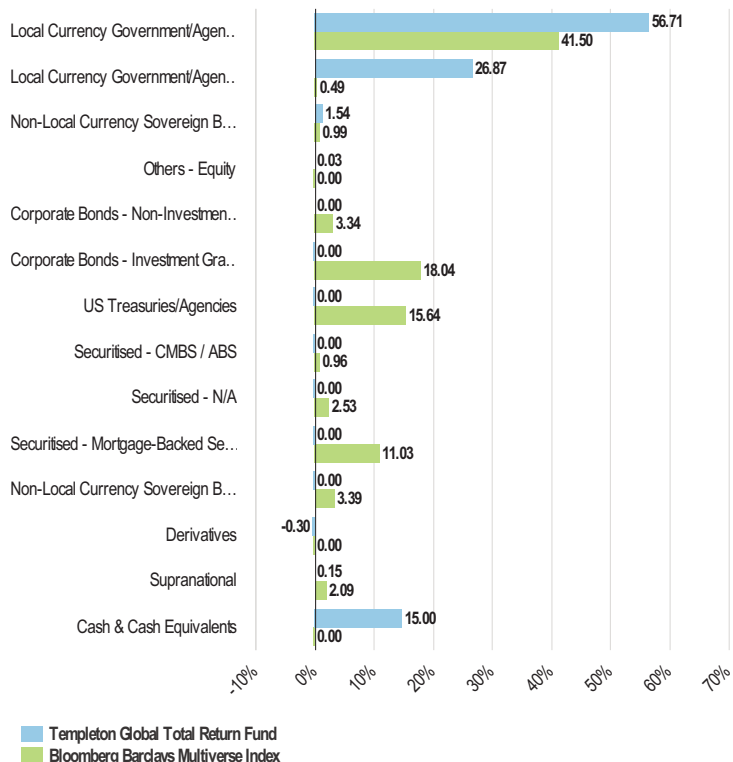
Currency Exposure vs. Bloomberg Barclays Multiverse Index⁸

Notional Exposure—Percent of Total



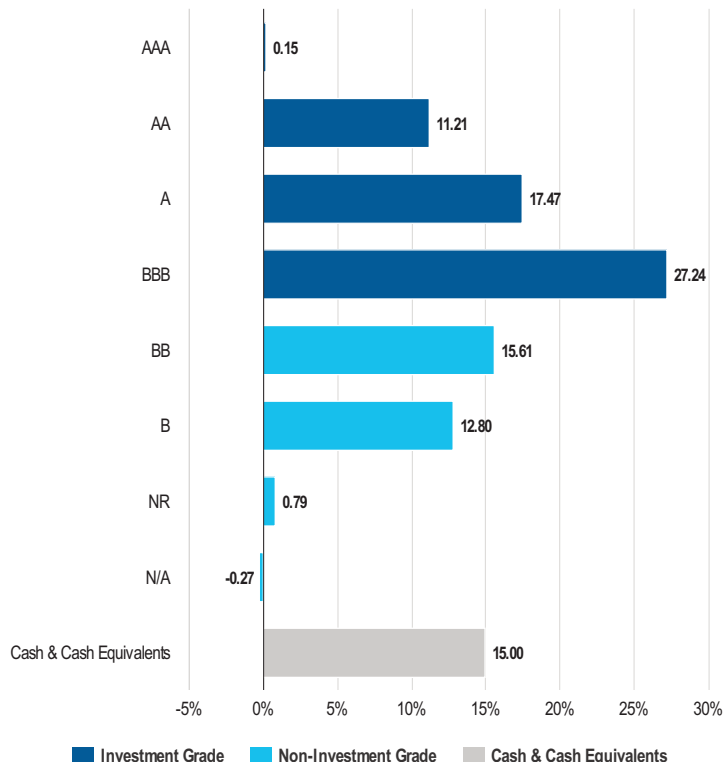
Sector Allocation vs. Bloomberg Barclays Multiverse Index²

Market Value—Percent of Total



Credit Quality Allocation^{9,2}

Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics¹⁰

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Global Total Return Fund	6.81	6.83	8.92	8.94
Bloomberg Barclays Multiverse Index	4.78	4.39	4.95	5.48
Tracking Error (%)	8.66	8.34	8.37	7.87
Information Ratio¹¹	0.42	0.07	0.54	0.46
Sharpe Ratio				
Templeton Global Total Return Fund	0.72	0.12	0.84	0.71
Bloomberg Barclays Multiverse Index	0.27	0.06	0.62	0.50

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D., Executive VP & Chief Investment Officer	20	24
Calvin Ho, Ph. D., Senior VP, Director of Research	13	14

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 government, government-related or corporate entities worldwide and in derivatives. Such securities and derivatives have historically been subject to price movements, generally due to interest rates, foreign exchange 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: credit risk, currency risk, derivatives risk, liquidity risk, emerging markets 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. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The NR category consists of ratable securities that have not been rated by an NRSRO. The N/A category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

10. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays Multiverse Index.

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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.

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4. 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.

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

6. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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.

11. 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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