



# FRANKLIN TEMPLETON INVESTMENTS

## Templeton Global Balanced Fund–A (Qdis) USD

Franklin Templeton Investment Funds

### Fund Manager Report

Total Return  
Multi-Asset  
31 October 2018

#### Product Details<sup>1</sup>

Fund Assets	\$863,199,386.63
Fund Inception Date	01/06/1994
Number of Issuers	104
Bloomberg	TEMGBLI LX
ISIN	LU0052756011
Base Currency	USD
Investment Style	Total Return
Benchmark	Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index
Morningstar Category™	USD Moderate Allocation

Effective 31 July 2017, Templeton Global Balanced Fund changed its benchmark to the Custom 65% MSCI All Country World + 35% JP Morgan Global Government Bond Index.

#### Asset Allocation<sup>2</sup>

Percent of Total	%
Equity	65.45
Cash & Cash Equivalents	18.08
Fixed Income	16.47

#### Fund Description

The fund seeks capital appreciation and current income by investing principally in equity securities and government debt securities issued by entities throughout the world, including emerging markets. The portfolio manager anticipates that the majority of the fund's portfolio is normally invested in equity or equity-linked securities.

#### Performance Data

##### Performance Net of Management Fees as at 31/10/2018 (Dividends Reinvested) (%)<sup>3</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/06/1994)
A (Qdis) USD	-5.58	-7.07	-6.91	-5.42	2.49	0.70	5.73	5.10
Net of Sales Charge - A (Qdis) USD	-10.30	-11.72	-11.57	-10.15	0.75	-0.33	5.18	4.88
Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index USD	-5.20	-4.78	-3.41	-0.63	5.90	4.49	7.79	6.60

##### Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/06/1994)
A (Qdis) USD	-5.58	-7.07	-6.91	-5.42	7.66	3.54	74.50	236.84
Net of Sales Charge - A (Qdis) USD	-10.30	-11.72	-11.57	-10.15	2.28	-1.64	65.78	220.00
Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index USD	-5.20	-4.78	-3.41	-0.63	18.78	24.54	111.75	376.60

#### Portfolio Manager Insight

##### Performance Review

##### ONE-MONTH KEY PERFORMANCE DRIVERS

	Equity	Fixed Income
HELPED	Consumer Discretionary (Underweight, Stock Selection)	Brazilian Real
	China (Stock Selection)	Duration Exposure in Brazil
	Energy (Stock Selection)	Argentine Peso
HURT	Financials (Stock Selection)	Mexican Peso
	United States (Stock Selection)	Colombian Peso
	Consumer Staples (Underweight, Stock Selection)	Indian Rupee

- Shares of UK-based emerging markets bank Standard Chartered declined as investors have become impatient about the timing of an expected earnings recovery, a situation exacerbated by broad emerging market and financial sector weakness during the month of October. We believe the recent weakness represented an additional buying opportunity. Standard Chartered's management has successfully executed on planned strategic actions to reduce risk, control costs and strengthen the balance sheet.
- The equity portfolio's relative performance in the consumer discretionary sector benefitted from a lack of exposure to e-commerce giant Amazon as its shares tumbled over the reporting period. Although Amazon has what we view as an impressive growth profile, it maintains only a tiny net profit margin and no dividend pay-out and as such, the stock appears excessively valued to us, a thesis that the market appeared to agree with in October.

1. All holdings are subject to change. Holdings of the same issuers have been combined.

- In the fixed income portfolio, currency positions in Latin America and Asia ex Japan detracted from absolute performance (the Mexican peso, Colombian peso and Indian rupee detracted, while the Brazilian real and Argentine peso contributed). Most emerging-market currencies continued to weaken against the US dollar in October, with a few notable exceptions. We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials. 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.
- Yields broadly decreased across core Europe and increased across much of Asia ex Japan and Latin America. Select duration exposures in Latin America (Brazil and Argentina) and Asia ex Japan (India) contributed to the fixed income portfolio's absolute results. 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.

### Outlook & Strategy

- The return of turbulence in global financial markets is notable in that it coincides with a number of market conditions that appear historically extended and potentially ripe for reversal. We believe the most significant major inflection point is likely to be the attempted normalisation of monetary policy, first by the US Federal Reserve and then by other major central banks.
- Ultimately, we expect that the removal of artificial stimulus and return to a market-based pricing regime is likely to result in sharp adjustments that include the mean reversion of asset prices that had become excessively cheap or excessively dear over the course of this unusual cycle. A market that is less manipulated by state actors should better facilitate genuine price discovery, potentially benefitting investors—like Templeton—who have remained disciplined and focused on fundamentals.
- From a global fixed income perspective, 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 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.

### Portfolio Characteristics<sup>4,5,6</sup>

	Portfolio	MSCI All Country World Index
Price to Earnings (12 Month Trailing)	13.17x	17.06x
Price to Book	1.29x	2.19x
Price to Cash Flow	5.65x	10.87x
Market Capitalisation (Millions in USD)	86,395	122,791
Dividend Yield	2.95%	2.58%

	Portfolio	JP Morgan Global Government Bond Index
Yield to Maturity	8.16%	1.76%
Yield to Worst	8.16%	1.76%
Average Duration	2.36 Yrs	7.84 Yrs
Average Credit Quality <sup>7</sup>	BBB+	AA
Average Weighted Maturity	3.02 Yrs	9.82 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, is provided to indicate the average credit rating of the portfolio's underlying bonds and generally ranges from AAA (highest) to D (lowest). The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of debt holdings 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 is provided for informational purposes only. Derivatives are excluded from this breakdown.

**Portfolio Diversification**

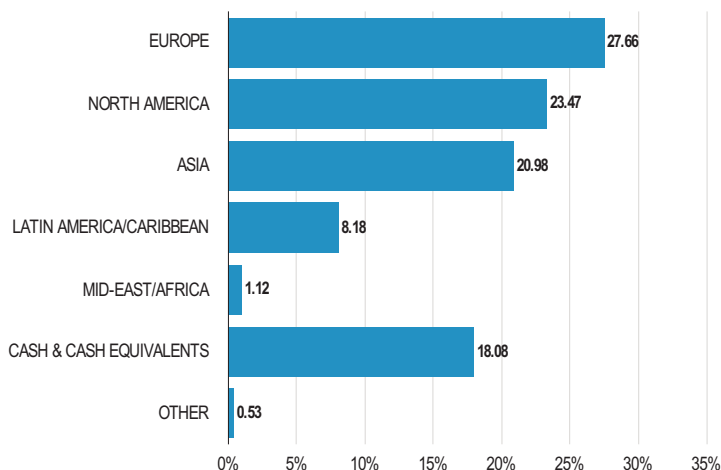
**Top Ten Holdings<sup>8</sup>**

Percent of Total

Top Holdings	%
Nota Do Tesouro Nacional, 10.00%, 1/01/21	1.91
Government of Mexico, senior note, M, 5.00%, 12/11/19	1.58
BP PLC	1.57
Oracle Corp.	1.56
Royal Dutch Shell PLC, B	1.50
Samsung Electronics Co. Ltd.	1.36
BNP Paribas SA	1.29
Citigroup Inc.	1.27
Siemens AG	1.23
Government of India, senior note, 8.83%, 11/25/23	1.16

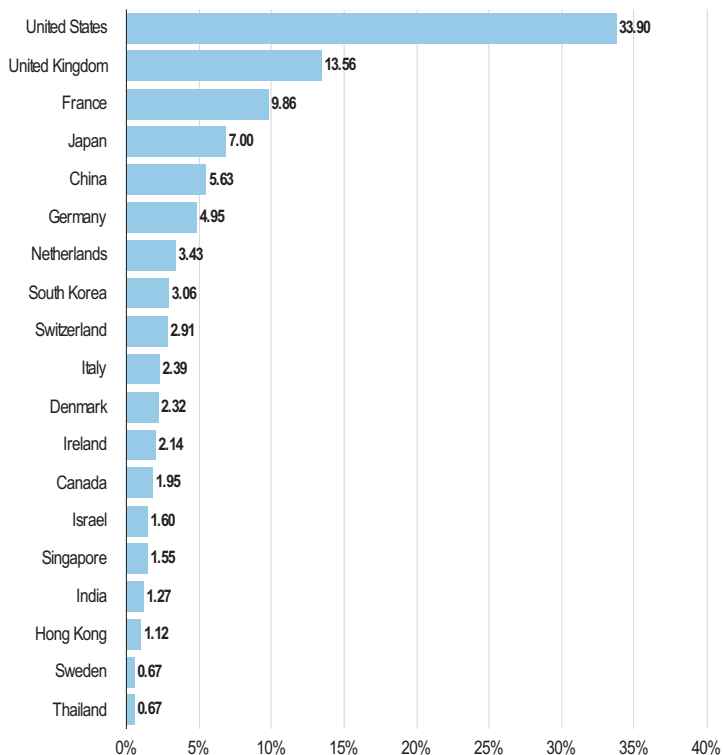
**Geographic Allocation<sup>2</sup>**

Percent of Total



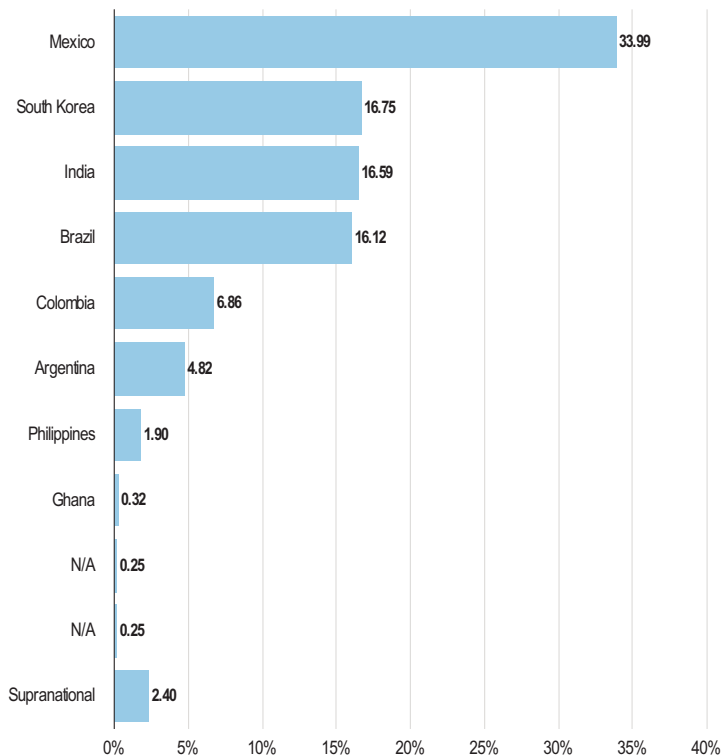
**Geographic Allocation<sup>9</sup>**

Percent of Equity



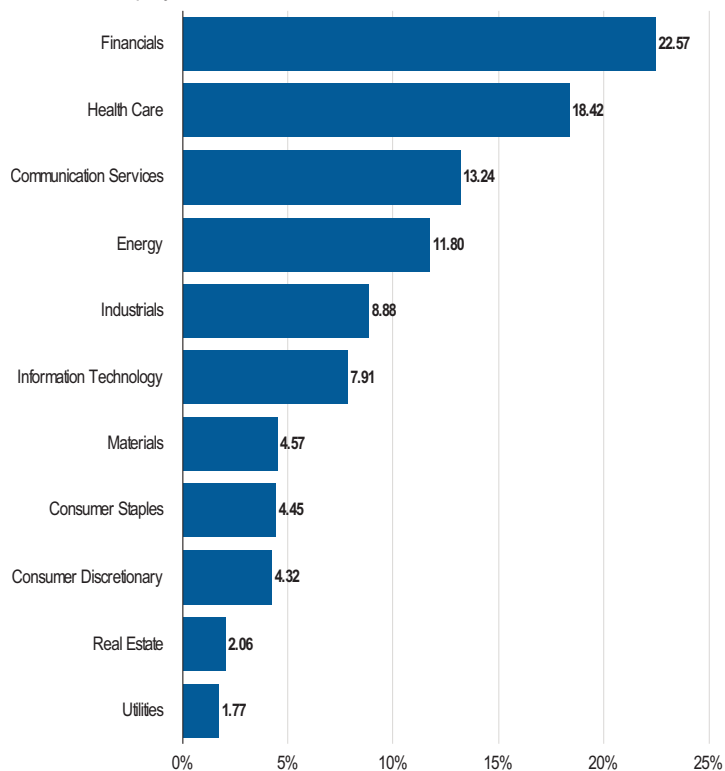
**Geographic Allocation<sup>2</sup>**

Percent of Fixed Income



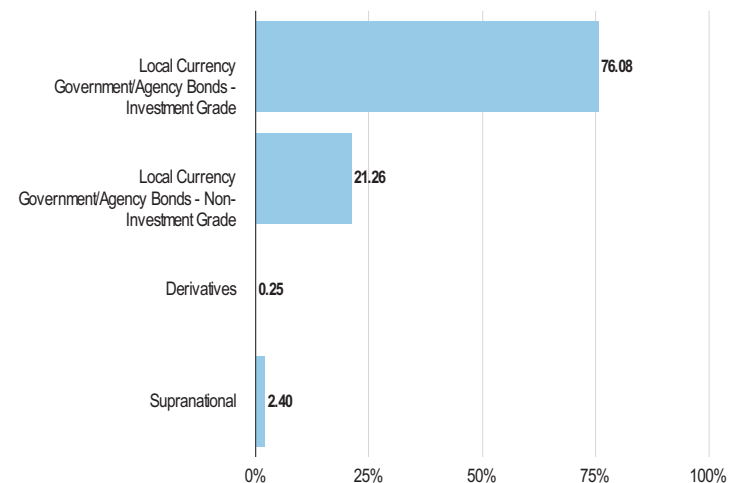
**Sector Allocation<sup>9</sup>**

Percent of Equity



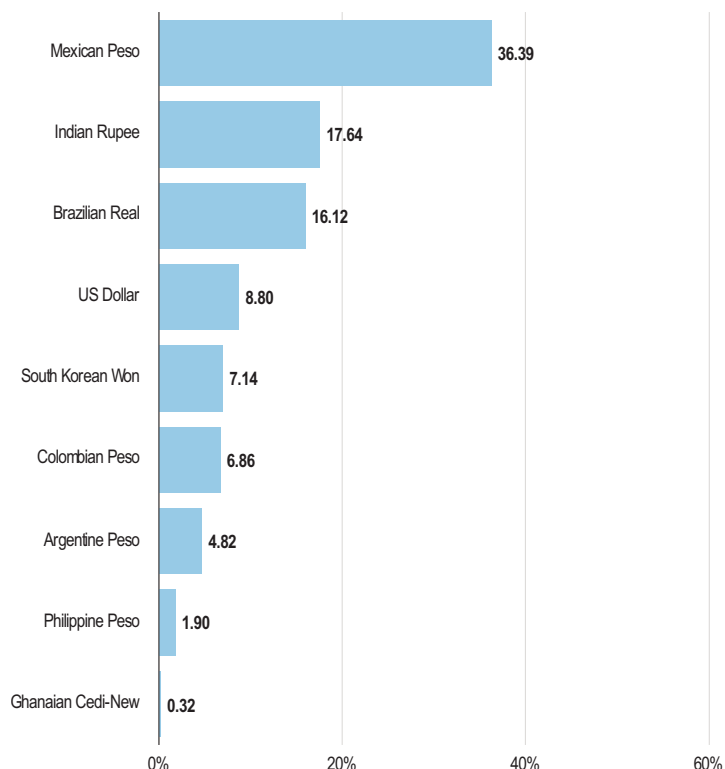
**Sector Allocation<sup>2</sup>**

Percent of Fixed Income



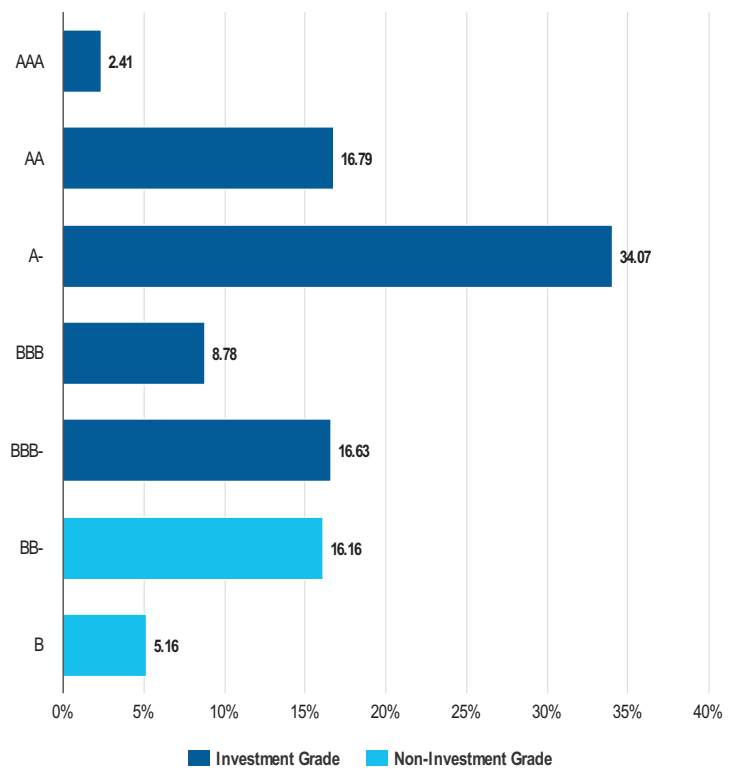
**Currency Allocation<sup>2</sup>**

Percent of Fixed Income



**Credit Quality Ratings<sup>10</sup>**

Percent of Fixed Income



## Supplemental Performance Statistics

Supplemental Risk Statistics<sup>11</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Templeton Global Balanced Fund	8.55	8.86	13.62	11.93
Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index	6.89	7.10	10.28	10.16
<b>Tracking Error (%)</b>	4.20	3.67	4.61	5.03
<b>Information Ratio<sup>12</sup></b>	-0.81	-1.03	-0.45	-0.29
<b>Beta</b>	1.08	1.14	1.28	1.07
<b>Sharpe Ratio</b>				
Templeton Global Balanced Fund	0.19	0.02	0.40	0.23
Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index	0.73	0.55	0.73	0.41

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D., Executive VP & Chief Investment Officer	19	23
Peter Wilmshurst, CFA, EVP, Portfolio Manager, Research Analyst	20	25
Sonal Desai, Ph. D., Senior VP, Portfolio Manager, Director of Research	8	24
Alan Chua, CFA, EVP, Portfolio Manager, Research Analyst	18	28
Tian Qiu, CFA, SVP, Portfolio Manager, Research Analyst	21	21

## 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 equity, equity-related and debt securities around the world. Such securities have historically been subject to significant price movements that may occur suddenly due to equity and bond market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably 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, emerging markets risk, liquidity risk, derivatives 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.

11. Beta, Information Ratio and Tracking Error information are measured against the Custom 65% MSCI ACWI + 35% JP Morgan Global Government Bond Index.

**Important Legal Information**

**This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.**

**This document is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it.** Any research and analysis contained in this presentation has been procured by Franklin Templeton Investments for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of any information, opinion or estimate herein. **The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested.**

Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

**Past performance or any prediction or forecast is not necessarily indicative of future performance of the Fund.** Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or our authorised distributors. Potential investor should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, this Fund is not available to U.S. Persons and Canadian residents.

**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.**

Copyright© 2018 Franklin Templeton Investments. All rights reserved.

Issued by Templeton Asset Management Ltd. Registration No. (UEN) 199205211E

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

Securities mentioned in this report are not a solicitation to purchase those securities, and are examples of some securities which performed well. Not all securities in the portfolio performed well. These securities do not represent all the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the security listed was or will be profitable. Holdings are subject to change, holdings of the same issuer have been combined. The information provided is not a recommendation to purchase, sell or hold any particular security. The security identified does not represent the Fund's entire holdings and in the aggregate, may represent a small percentage of such holdings. There is no assurance that security purchased will remain in the Fund, or that security sold will not be repurchased. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. Stocks mentioned in this report are not a solicitation to purchase those stocks, and are examples of some stocks which performed well. Not all stocks in the portfolio performed as well. For the most current information on the fund, please contact your Franklin Templeton marketing representative.

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.

*CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.*

MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

*Important data provider notices and terms available at: [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)*

2. Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

5. The dividend yield quoted here is the yield on securities within the portfolio and should not be used as an indication of the income received from this portfolio.

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

8. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the fund, or that securities sold will not be repurchased. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

9. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

10. 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



**FRANKLIN TEMPLETON  
INVESTMENTS**

[www.franklintempleton.com.sg](http://www.franklintempleton.com.sg)

**For Broker/Dealer and Institutional Investor Use Only. Not for Public Distribution.**

© 2018 Franklin Templeton Investments. All rights reserved.

available. If listed, the NR category consists of rateable securities that have not been rated by an NRSRO. The N/A category consists of nonrateable securities (e.g., equities). Cash includes equivalents, which may be rated. Derivatives are excluded from this breakdown. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

12. 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).



FRANKLIN TEMPLETON  
INVESTMENTS

[www.franklintempleton.com.sg](http://www.franklintempleton.com.sg)

**For Broker/Dealer and Institutional Investor Use Only. Not for Public Distribution.**

© 2018 Franklin Templeton Investments. All rights reserved.